

Austria	100.00	100.00	100.00	100.00	100.00
Belgium	100.00	100.00	100.00	100.00	100.00
Denmark	100.00	100.00	100.00	100.00	100.00
France	100.00	100.00	100.00	100.00	100.00
Germany	100.00	100.00	100.00	100.00	100.00
Greece	100.00	100.00	100.00	100.00	100.00
Italy	100.00	100.00	100.00	100.00	100.00
Japan	100.00	100.00	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00	100.00	100.00
Portugal	100.00	100.00	100.00	100.00	100.00
Spain	100.00	100.00	100.00	100.00	100.00
Sweden	100.00	100.00	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00	100.00	100.00
UK	100.00	100.00	100.00	100.00	100.00
US	100.00	100.00	100.00	100.00	100.00

World News

UK and China in new talks over 1997 constitution

BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future constitution of Hong Kong, following Peking's decision to restrict severely the territory's democratic development from 1997, when it regains sovereignty. Peking-dominated drafts of the Basic Law which will form Hong Kong's constitution after 1997 decided on Saturday that only 18 people in Hong Kong's 99-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting system. Page 18

Barry's 'problem'

Marion Barry, the mayor of Washington DC, charged with possession and use of crack cocaine, admitted he had "a problem", amid speculation among close advisers that he would not stand for re-election and would enter a drug treatment programme. Page 16

Haiti emergency

The military government of President Prosper Avril of Haiti declared a 30-day state of siege in Port-au-Prince, suspending parts of the constitution and arresting opponents. Page 4

Belgrade congress

Yugoslavia's ruling League of Communists, bitterly divided on its future political role, at the weekend opened what is expected to be its last party congress. Page 4

UN goes to Iran

UN human rights investigator previously barred from Iran began an eight-day visit to probe reports of torture and mass executions. Page 16

Train crashes

A passenger train and a goods train collided head on, on the Ethiopian border, killing 13 people and injuring 59.

Election rejected

President Corason Aquino turned down opposition calls for a snap election in the Philippines, telling her rivals to wait until scheduled presidential polls in 1992 to get a crack at power.

Pro-Europeans unite

British Conservatives supporters of closer European integration established a new bloc, the Positive Europe Group, to press the Government for a more positive approach to the EC. Page 6

30 die in Kashmir

At least 30 people were killed and scores injured after Indian troops were ordered to shoot on sight to enforce a curfew in the northern state of Kashmir.

Mongolians march

About 7,000 Mongolians defied a government ban on demonstrations and flocked to Ulan Bator's main square to demand democracy after 69 years of communism.

Hackers indicted

Three Silicon Valley computer experts have been indicted on charges that they broke into US Army and telephone company computers and obtained classified, military and FBI information. Page 4

Cubans arrested

At least four leading members of Cuba's communist youth organisation have been arrested after complaining about lack of democracy in their country, the Spanish daily El Pais said.

Money changers

Iran said it was legalising money changing, outlawed and reviled as a parasitic profession soon after the 1979 Islamic revolution.

Argentine-UK links

Argentina and Britain resumed direct air links for the first time since the 1982 Falkland Islands War.

Israeli colonel killed

An Israeli army colonel was killed in a gun battle with guerrillas who occupied a house in south Lebanon.

Perez in Prague

Israeli Vice Premier Shimon Perez arrived in Prague to discuss resumption of diplomatic ties between Israel and Czechoslovakia.

Tanker runs aground

A tanker carrying mixed fuels ran aground outside Petersburg, Alaska, spilling between 20,000 and 35,000 gallons of gasoline.

Business Summary

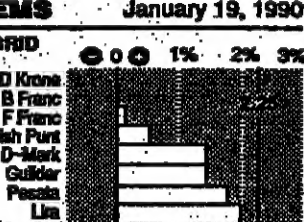
Bush faces congressional battle on tax and budget

A lengthy battle between US President George Bush and the Democratic-controlled Congress over taxation and reducing the budget deficit is in prospect after Senator George Mitchell, the majority leader, hinted at possible leadership support for a cut in the social security payroll tax. Page 16

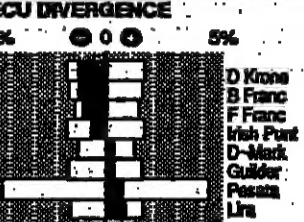
EUROPEAN Monetary System

Events in the Soviet Union reduced the attraction of the D-Mark within the EMS last week. Threats to peace, and the possible implications for the liberalisation of Eastern Europe, hit the West German currency and attracted funds into the safe haven of the dollar. This kept trading among EMS currencies steady, with the Italian lira remaining the strongest member. The French franc was supported by better-than-expected French trade figures.

EMS January 19, 1990



ECU DIVERGENCE



KEY

Link ECU Party Day Position

The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may deviate by no more than 2.5%.

The lower chart gives currency (day) divergences from the 1988 rates against the European Currency Unit (ECU), itself derived from a basket of currencies.

BRITISH Rail, state rail network, and UK Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, London think-tank. Page 6

TELECOMMUNICATIONS

largest US cable television company, plans to spin off most of its programming interests, some cable television systems and other businesses into a separate company after mounting concern in Congress about the size of some cable companies. Page 19

WEST European new car sales

rose by 3.6 per cent to almost 13.5m last year, reaching a record level for the fifth successive year. Page 3

EUROCLEAR, one of two international securities clearing houses

which dominate Euro-markets, increased turnover to \$3.55m last year, up 15 per cent on 1988. Page 19

ITALY lifted its penultimate barrier to the free movement of capital, with a decree allowing

Italians to purchase short-term obligations issued in other currencies. Page 3

TOKYO hit back at critics of its high consumer prices

by claiming foreign companies are partly responsible for allowing goods prices to become the most expensive in the world. Page 3

LSI LOGIC, leading US producer of specific semi-conductor chips, recorded a loss after

taking a charge for the restructuring of its manufacturing operations. Page 19

LUFTHANSA and Interflug, West and East German airlines, announced a wide range of co-operation agreements to improve services. Page 3

AXEL Springer, West German publisher, is planning a move into the international market with a new Italian daily paper. Page 2

KELLOGG, US convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net earnings for 1989. Page 19

DELTA Airlines, Atlanta-based US carrier, said higher fuel prices and weaker than expected

traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its fiscal second quarter. Page 19

Environment issues will transform car industry says Ford report

By Charles Leadbeater, Industrial Editor, in London

ENVIRONMENTAL pressures will force a sweeping transformation in the automotive industry over the next 15 years, according to a confidential Ford Motor Company report.

The report, which says half of Europe's pollution is caused by exhaust fumes from cars, vans and trucks, identifies environmental concerns as the most serious issue facing the company.

The study from a team led by Mr Ernie Saville, a senior executive at Ford's world headquarters in Dearborn, Michigan, says concern over the

environment, combined with other issues, will affect "the size and shape of cars, what is in them, how they are made, where they are allowed to go and even who can own them."

It is one of the frankest admissions yet of the changes the industry could face as a result of growing concerns over the greenhouse effect and ozone depletion. It warns that urban congestion in the advanced economies will become so severe that private vehicle use—and thus production—will be cut back.

The level of exhaust pollution means car producers will

have to bear some of the social burden of reducing global warming.

It says: "We will see tighter fuel mileage requirements, alternative fuel incentives, fuel conservation taxes and other restrictions."

International imbalances in the extent of environmental regulation will have a significant bearing on the development of the global auto industry, affecting the costs, sales and prosperity of individual companies.

Environmental concerns will lead to relatively strict legislation in the US with Western

Europe following in its wake, the report predicts. It says this could have significant consequences for Ford's long-term prospects as it is highly dependent on the mature, slow growing markets of Western Europe and the US.

Ford needs to expand into markets in the Far East, Eastern Europe and parts of the developing world which will account for the majority of world economic growth by the year 2005, it concludes.

Recycling waste will become a major factor in material selection. Recyclable materials must be found or invented for

vehicles not fuelled by petrol, it says. Joint venture research will be necessary to meet environmental regulation.

The impact of these environmental pressures will be magnified by commercial changes affecting product design and development. Ford plans to cut the time it takes to develop a new product from five years to one or two years.

The accelerating pace of product development to meet more diverse consumer demands will provoke more mergers and joint ventures in the industry to cover the \$2 bn to \$4 bn it costs to develop a

major new product, the report says.

Electronic and computer technology will come to control virtually all vehicle systems and comprise between 15 per cent and 30 per cent of a car's value.

This will force changes in manufacturing, it says: "The demand for high quality will have to be met even while we have shorter product development cycles, more frequent launches and greater manufacturing and assembly flexibility. The auto factory of the 1970s is fast becoming a curiosity." Sales continue rising, Page 3

CIVILIANS, SOLDIERS KILLED DESPITE MARTIAL LAW IN BAKU • CLASHES AND RALLIES CONTINUE

Azerbaijan's rulers and Soviet troops facing mass rebellion

By Quentin Peel and John Parker in Moscow

SOVIET troops were facing mass popular rebellion in strife-torn Azerbaijan yesterday and a revolt against the republic's ruling Communist Party.

At least 57 civilians and eight soldiers died when Moscow imposed martial law by force in Baku, the Azerbaijani capital, at the weekend. Soviet army and Interior Ministry forces used tanks to smash their way through barricades to take control of the city.

Nationalist reports from Baku insisted that the death toll was at least 600, and all the morgues in the city were full.

Clashes were also reported from other key towns, including Nakhichevan, on the Iranian border, where the local Azerbaijani population has already declared its "independence".

Mass rallies in defiance of the state of emergency took place yesterday on the streets of Baku and in many parts of the republic. The Soviet Union of Azerbaijan met to condemn the decision by Moscow to use force. The deputies were also under pressure to call a referendum on secession from the Soviet Union as thousands gathered outside the meeting, which was continuing late last night.

Sporadic shooting was reported around the city last night, as military cadets and Soviet troops clashed outside a barracks three miles from the centre.

Azerbaijani activists said the cadets included not only local recruits, but also Georgians, Jews and Ukrainians, united in their opposition to the Soviet military action. They were holed up in a building outside the barracks, armed with



Soviet soldiers stand guard outside the Central Committee headquarters in Baku yesterday

weapons and equipment seized as the state of emergency was declared on Friday night.

Despite an urgent appeal by President Mikhail Gorbachev, on Saturday night for the Azerbaijani and Armenian people to abandon their bitter racial conflict, the violence used by the Soviet troops to impose control appeared to have united Azerbaijani people against them.

"The responsibility for the blood that has been shed lies directly with the USSR organs and their officials," Mrs Elmira Kafarova, president of the Azerbaijan Supreme Soviet, said.

The Azerbaijan Popular Front, blamed by Mr Gorbachev as the prime instigator of nationalist unrest and attacks on Armenians in the republic, called for a campaign of civil disobedience against Soviet power, and a general strike until the Soviet troops left.

Baku radio also announced that a mass funeral ceremony would begin on the central Lenin Square—scene of huge nationalist demonstrations in recent months—at midday today.

The degree of national unity was shown by the fact that the funeral is being organised jointly by the Popular Front, the officially-appointed Moslem board of the Trans-Caucasus, and the Communist Party-led

Continued on Page 16

E German Communist Party in crisis talks to avoid collapse

By Leslie Collett in East Berlin

EAST GERMANY'S crisis-torn Communist Party, threatened with collapse by a mass desertion of members, is to convene an extraordinary party congress shortly in an effort to revitalise itself.

Mr Gregor Gysi, party chairman, said yesterday after a 14-hour emergency meeting of the leadership that the party had voted against dissolving itself as some rank-and-file members demanded. However, there is a strong possibility that it will break up before East Germany's first free elections on May 6. Mr Gysi noted that since the ousting of the old leadership last October, the party had lost nearly 1m of its former 2.2m members.

The hard-pressed coalition Government under Mr Hans Modrow, the Communist Prime Minister, also looks extremely shaky.

The elections are almost certain to relegate the party to the opposition. The four parties allied with it have said they would not renew the coalition

after the elections. In a last-ditch attempt yesterday to prove it could renew itself, the party expelled all remaining members of the old Politburo who had served under Mr Erich Honecker, the ousted leader.

These included Mr Egon Krenz, the former party leader, who succeeded Mr Honecker. At the same time, Mr Horst Sindermann, the former president of parliament, was placed in detention on remand along with Mr Wolfgang Junkers, the former Construction Minister, and a third senior official, on charges of "criminal embezzlement." Nearly 50 former party functionaries who were tried and lost their posts in the Stasi era were rehabilitated.

Mr Gysi was delivered a further blow by his deputy, Mr Wolfgang Berghofer, the popular mayor of Dresden, who announced his resignation from the party in a letter to the chairman.

Another 39 prominent party members in Dresden district

resigned with Mr Berghofer. He appeared on East German television and announced that he supported the programme of the Social Democrats (SPD) who are expected to do well in the forthcoming elections. Mr Berghofer could become a leading SPD candidate and a major vote-getter for the party. Mr Berghofer was in Austria and did not attend the meeting.

The party chairman's warning about the dangers of an uncontrolled, rapid move towards re-unification with West Germany were ignored at the weekend when the last of the four coalition partners, the National Democrats, joined the others and came out for re-unification as quickly as possible.

The Government was also hit by charges that Ms Ute Nickel, the Communist Finance Minister, had misappropriated funds while serving in Leipzig as a city official. ADN, the official news agency, said the state prosecutor in Leipzig had begun an investigation into the charges.

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THE MONDAY INTERVIEW

Ireland's Prime Minister, Charles Haughey, has had a long and colourful career. Now, at 64, he has found the role he favours most, with his country holding the presidency of the European Community. Page 32

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OVERSEAS NEWS

VOLKSWAGEN GROUP KEEPS PLACE AT TOP OF LEAGUE

W Europe car sales continue rising

By Kevin Done, Motor Industry Correspondent

WEST European new car sales rose by 3.6 per cent to nearly 13.5m last year, reaching a record level for the fifth successive year, and marking the climax to the longest period of sustained growth ever enjoyed by the West European car industry.

The Volkswagen group, of West Germany, which includes Audi and SEAT, maintained its position at the top of the West European car sales league for the fifth successive year, despite a fierce challenge from Fiat of Italy.

According to preliminary industry estimates, the VW group captured 15 per cent of West European new car sales compared with the 14.8 per cent achieved by the Fiat group, which includes Lancia, Alfa Romeo and Ferrari.

All of the big-volume markets - West Germany, Italy, the UK, France and Spain - showed continued growth last year and all but West Germany reached a record level.

New car sales were higher last year in 13 of 17 markets across Europe, with record sales also achieved in Belgium, Switzerland and Finland. Sales fell in only four markets - Sweden, Denmark, Norway and Portugal.

After five years of record sales, the West European car market ended 1989 on a weak note, however, with a steep drop in sales in December of around 11 per cent, according to industry estimates.

Sales were lower than a year ago in 10 of 17 markets, including the UK, France and Spain.

The rate of growth in new car sales slowed during 1989, and demand was lower than a year ago in the final four months, with falls in September and December.

Most European car makers have been surprised by the

continuing strength of demand in the past two years, and are forecasting a dip in sales in 1990. Automotive Industry Data, the UK-based automotive analyst, is forecasting a fall in sales to around 13.2m this year.

VW's claim to leadership of the West European car market is disputed, by Fiat, which maintains that it ousted VW from that position last year.

Unlike most other car makers and industry analysts, Fiat refuses to use the official West German new car registration statistics on the grounds that the system classifies some vehicles, such as minibuses and some car-derived vans, as passenger cars.

On the basis of its own estimates, Fiat claims it captured 15 per cent of a total European market of 13.3m, compared with the 14.8 per cent taken by VW.

General Motors of the US (Opel in Continental markets and Vauxhall in the UK) emerged clearly the fastest-growing volume car-maker in West Europe last year, helped by the success of its Opel Vectra/Vauxhall Cavalier launched in late 1988.

GM car sales in Europe jumped 10.2 per cent to 1.48m. The group boosted its share of the West European market to 11 per cent and is rapidly closing the gap behind fourth-placed Ford.

GM's fortunes in Europe should receive a further boost in the late spring when it launches its new Opel/Vauxhall Calibra coupé, which will take it into a segment of the European market dominated by Japanese car makers in recent years.

Ford's fortunes will also be vitally affected by the launch later this year of its new-generation Escort small family car, which is its best-selling volume

WEST EUROPEAN NEW CAR REGISTRATIONS January-December 1989				
	Volume (thous)	Volume Change (%)	Share (%) Jan-Dec 89	Share (%) Jan-Dec 88
TOTAL MARKET	13,478,000	+3.6	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi and SEAT)	2,021,000	+4.1	15.0	14.9
Fiat (incl. Lancia, Alfa Romeo & Ferrari)	1,991,000	+3.0	14.8	14.8
Peugeot (including Citroën)	1,704,000	+1.8	12.7	12.9
Ford	1,562,000	+6.8	11.6	11.3
General Motors (Opel, Vauxhall & US)	1,488,000	+10.2	11.0	10.4
Renault	1,362,000	+5.3	10.1	10.2
Mercedes-Benz	434,000	-2.1	3.2	3.4
Rover	412,000	-7.9	3.1	3.5
Nissan	392,000	+2.4	2.9	3.0
BMW	377,000	+8.2	2.8	2.7
Toyota	344,000	-2.3	2.5	2.7
Volvo	286,000	-0.6	2.0	2.1
Total Japanese	1,457,000	-0.1	10.9	11.3
MARKETS:				
West Germany	2,852,000	+1.6	21.2	21.6
Italy	2,362,000	+8.2	17.5	16.8
United Kingdom	2,301,000	+3.9	17.1	17.0
France	2,275,000	+2.6	16.9	17.0
Spain	1,128,000	+5.2	8.4	8.2

Source: Industry estimates

car in several European markets.

The main losers in the European car market were Rover of the UK and West Germany's Mercedes-Benz. Rover's sales volume dropped an estimated 7.9 per cent. Mercedes-Benz increased its sales in several European markets, but was hit by a heavy fall in West Germany, where demand for diesel cars has continued to plunge under the impact of environmental concerns.

The total volume of Japanese car sales in West Europe was virtually unchanged at 1.457m, and the Japanese share of the market fell to 10.9 per cent from 11.3 per cent a year ago. The volume of Japanese car sales is expected to rise steadily in the mid-1990s, however, as Japanese car makers' local European assembly plants build up production.

The relative sales performances of the big-volume car makers in Europe will be affected this year by the wave of restructuring moves announced in the final months of 1989.

This year, the GM group will include Saab of Sweden, in which it took a 50 per cent shareholding and management control in December. Saab sold an estimated 67,000 cars in West Europe last year.

At the same time, Ford has taken over Jaguar, while Fiat is completing its control of the Italian auto industry by taking a majority stake in Innocenti and a 49 per cent stake in Masera.

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Italy nearer to free movement of capital

By John Wyles in Rome

ITALY lifted its penultimate barrier to the free movement of capital at the weekend, with a decree allowing Italians to purchase short-term obligations issued in other currencies.

All that remains now is to sanction the opening abroad of bank accounts in lire or foreign currencies. This obstacle should fall in April or May after the Government has aligned taxes on bank interest closer to European averages, comfortably ahead of the European Community's July 1 deadline for the lifting of all capital restrictions.

Italy's step-by-step liberalisation programme, which began over two years ago, has been carried through without any negative effects on the lira. Any potential disadvantages have been offset by relatively high domestic interest rates which have attracted considerable capital inflows since mid-1988, a process which has continued in the past fortnight since the lira embraced the narrower 2.25 per cent fluctuation band within the European Monetary System.

Mr Renato Ruggiero, Italy's Foreign Trade Minister, who signed the latest decree, said the Government had been able to overcome "anxieties of speculative movements against the lire that could have been prompted by expectations of devaluations".

In fact, he added, a net influx of capital was creating "a sufficient safety net for adequately confronting speculation in foreign exchange markets".

The weekend decree will enable Italians to buy a variety of short-term instruments with maturities of less than 180 days. The freedom will apply to all European Community currencies, the US, Canadian and Australian dollars, the Swiss franc, the Austrian schilling, the Finnish mark and the yen.

No expert foresees a stampede of Italian investors into foreign short-term assets. Interest rate differentials and Italy's lower rate of tax (12.5 per cent) on debt interest mean that domestic bonds and notes are more attractive than most possible rivals.

Lufthansa, Interflug announce co-operation on air services

By David Marsh in Bonn

LUFTHANSA and Interflug, the West and East German airlines, have announced a wide range of co-operation agreements to improve air services, and launched a joint initiative to build for a new Berlin airport by the year 2000.

Mr Heinz Ruhnau, Lufthansa chairman, and Mr Klaus Henkes, managing director of Interflug, said at a press conference at East Berlin's Schönefeld airport that they were pooling forces to strengthen their marketing positions.

Although the two companies will remain separate airlines, the decision to co-operate reflects the gradual process of

political and economic unification being developed between the two German states.

In particular, they want to press the Second World War allies to lift "all artificial restrictions" on flights between the two Germanys, including routes to Berlin.

Backed by a large cross-section of public opinion, Mr Ruhnau is growing impatient with the control of the US, France and Britain over the western "corridor" routes between West Berlin and the Federal Republic.

Mr Ruhnau said the city's present airports at Tegel in the West and Schönefeld in the

East needed to be expanded, but a site should also be envisaged for a new airport to be built by the end of the century.

"From the logical point of view, this should be in the south [of the city]," he said.

It would have to be built on East German territory outside the city's present limits - and outside allied jurisdiction.

Among the projects unveiled, the two airlines are to set up a joint charter company, as well as other joint ventures in the catering, training and software fields. Technical co-operation and joint operation of airport facilities and hotels will be intensified.

OBITUARY: HERBERT WEHNER

Brusque champion of the SPD

WITH the death of Herbert Wehner, West Germany's Social Democratic Party has lost the most truculent of its post-war leaders, writes David Marsh in Bonn. Wehner, whose death at 83 was announced on Friday, played many roles during a life which mirrored Germany's own uneven path through the 20th century.

A solitary, introverted man, his legendary pipe stuck furiously in a misshapen mouth, he was denigrated by some on the right as a rabble-rouser.

In some public outbursts he could appear on the verge of apoplexy. To a generation of Social Democrat deputies, "Uncle" Herbert, as the party's parliamentary leader, could, however, betray a soft heart.

With Chancellors Willy Brandt and Helmut Schmidt, Wehner formed a "troika" running the SPD's often troubled affairs during 18 years of coalition government with the liberals, which lasted until 1982.

After Wehner's retirement in 1983, Mr Schmidt, in a rare display of public affection, admitted that the cussed personality of Wehner inspired not only respect but also "love".

Born in Dresden, Wehner was a communist in pre-war Germany, persecuted under the Third Reich before fleeing abroad. In the 1930s, he built up a long-lasting friendship with Erich Honecker, later to become East Germany's leader.

As one of the stalwarts building up the post-war SPD, Wehner was a driving force behind the party's 1959 programme, which turned its back on class war and prepared the Social Democrats for government.

The chance came in the 1966 Grand Coalition with the Christian Democrats, of which Wehner was prime architect.

Wehner was a pioneer of building bridges with East Germany. He figured in discreet negotiations started in the 1960s on ransoming political

prisoners from East Germany, a practice continued until last year's revolution.

Brusque and often embittered, Wehner bore lightly neither his illnesses - he suffered from diabetes for 20 years - nor his grudges. Mr Brandt blamed him for intrigues forcing his own resignation as Chancellor in 1974.

Wehner, like Germany, was a split personality. His death comes as German unity has at last become feasible, a prospect he never lost from view.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT				
	Dec '89	Nov '89	Oct '89	Dec '88
W. Germany 000's	2,005	2,026	2,004	2,139
%	7.8	7.9	7.8	8.3
US 000's	6,656	6,652	6,563	6,509
%	5.3	5.3	5.3	5.3
UK 000's	1,639	1,612	1,636	2,047
%	5.8	5.7	5.8	7.3
Belgium 000's	352	347	350	379
%	9.9	9.9	10.0	10.7
France 000's	Nov '89	Oct '89	Sept '89	Nov '88
%	2,576	2,599	2,588	2,617
Italy 000's	10.9	11.0	11.0	11.1
%	3,911	3,898	3,882	3,866
%	16.5	16.4	16.4	16.5
Netherlands 000's	Oct '89	Sept '89	Aug '89	Oct '88
%	376	381	394	676
%	6.5	6.5	6.8	11.6
Japan	1,430	1,400	1,410	1,520
%	2.3	2.2	2.3	2.4

Source: (except US, UK, Japan) Eurostat

Day a long-distance swimmer turned turtle

DOWN in County Kerry in the south-west of Ireland, it's well known that Christopher Columbus called in to ask for directions on his way to discover the continent of America, writes Kieran Cooke in Dublin.

Yesterday, another equally intrepid explorer dropped in on Kerry. A young loggerhead turtle, usually resident off the coast of Florida, was found washed ashore on Kerry's Dingle Peninsula.

The turtle, promptly christened Timmy by the locals, is only 12 inches long. Naturally Timmy was exhausted. He was also feeling the cold of Ireland's winter waters.

Mr Gabriel King, a Dublin businessman, organised a rescue mission. Timmy the turtle was first flown to Dublin, from where he was then transferred to an Irish military helicopter.

The British military authorities were

contacted to see if they would give permission for Timmy to be flown across the border into Northern Ireland.

Timmy the turtle is now reported to be happily swimming about in Ireland's only heated sea water aquarium at Portlary in the North.

Irish conservationists say that once Timmy has recovered his strength, they are hoping to put him on an aircraft again and send him back to Florida.

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At Korean Air we obviously aim at giving you the best personalised service on board, this is why our Prestige Class is often compared to the First Class of other airlines. But we always try to go further. Because we know that your first priority upon arrival is your luggage, our ultimate priority for Prestige Class passengers is that their luggage is delivered first. Other airlines say good-bye when you leave the plane. We say good-bye when you leave the airport.

OVERSEAS NEWS

Computer experts in US indicted for hacking

By Louise Kehoe in San Francisco

THREE Silicon Valley computer experts have been indicted on charges that they broke into US army and telephone company computers and obtained classified, military and FBI information.

The case has heightened widespread concerns about the vulnerability of data and telephone networks to unauthorized access, and comes in the midst of the trial of another computer hacker who is alleged to have introduced a computer virus into the ARPANET research network which links university and government laboratories throughout the US.

The latest charges resulted from a two-year FBI investigation, according to officials. The three men charged all have ties to SRI International, the California consulting company which is a world centre for research into computer security.

According to the indictment, Mr Foulson burgled Pacific Bell facilities and stole code books which enabled the three to penetrate government and telephone company computers.

Among the information alleged to have been illegally obtained by the three were the flight orders for thousands of army paratroopers who were on a military exercise, apparently obtained by tapping into the army's Marnet computer network.

They are also alleged to have gained access to information gathered during an FBI investigation into associates of former Philippines President Ferdinand Marcos and unpublished telephone numbers for the Soviet consulate in San Francisco.

HAITI'S military Government has imposed a 30-day state of emergency after arresting the leaders of several political parties preparing to contest elections set for this year.

The moves, which followed the murder of an army colonel, are likely to cost Gen Prosper Avril, head of state, much of the limited support he has won by promising elections.

An official statement said the new measures were intended "to protect democratic accomplishments against terrorism."

Diplomats said yesterday that the arrests and the emergency had rekindled speculation that Gen Avril, who took power 16 months ago, is reluctant to leave office.

The developments are likely to embarrass the US Government, which has been saying that Gen Avril offers the best prospects for democratic reform in Haiti.

Marcos lawyer appeals against Zurich ruling

A LAWYER representing the family of the late Ferdinand Marcos said he has appealed against the decision by a Zurich attorney to unlock \$260m deposited in Swiss banks by the former Philippine President. AP reports from Geneva.

After an investigation lasting more than three years, Zurich district attorney Peter Conz agreed on January 4 to unfreeze Marcos assets in banks. He said this was subject to completion of criminal proceedings in Manila to prove the funds were illegally obtained. The Philippines Government has yet to file charges against the Marcos family.

Gorbachev gambles to thwart Soviet backlash

Critics are attacking his motives in using troops to quell the Azerbaijan troubles, Quentin Peel reports

PRESIDENT Mikhail Gorbachev has moved with extraordinary speed to head off a threatened backlash in the rest of the Soviet Union against his declaration of a state of emergency in Azerbaijan, anxious to limit the conflict to the Trans-Caucasus region.

After a rash of protests by the families of young reservists called up to reinforce the virtual martial law in the region, the Soviet Defence Ministry announced on Saturday that the stand-by soldiers would return home by Wednesday.

The move came as opposition politicians dared to criticise the state of emergency, and warned that it could seriously undermine the position and popularity of the Soviet leader.

Although on the face of it the use of Soviet troops in Azerbaijan was an essential move to restore order in the republic, critics said it was only taken when there was a genuine threat to the power of the Communist Party — not when there were violent pogroms

launched by Azerbaijanis against Armenians.

Mr Gorbachev's grim television broadcast to the nation on Saturday night was clearly not simply aimed at appealing for an end to the violence between Azerbaijanis and Armenians, but also at justifying his final decision to reimpose order in Baku, the Azerbaijan capital, with a huge show of force, and inevitable bloodshed.

Top-level Soviet advisers insisted last week that the decision to impose the state of emergency, using Red soldiers as well as interior Ministry troops, was taken after deep soul-searching on the part of Mr Gorbachev and the Presidium of the Supreme Soviet in Moscow. They say that Soviet military commanders were also extremely loath to get involved, remembering the backlash against the army after 30 nationalist demonstrators died in Tbilisi, Georgia, last April.

Yet there are also indications that the military was prepared for a much

more extensive role than at first announced, from the beginning of the emergency.

The mobilisation of reservists in Krasnodar and Stavropol, the Russian regions closest to the Trans-Caucasus, actually began last Monday, January 15, according to unofficial reports from the area — three days before it was announced by General Dmitri Yozov, the Defence Minister.

The state of emergency in limited areas of Azerbaijan, including the mountain enclave of Nagorno-Karabakh, was agreed only that night.

By the time Gen Yozov revealed the decision on Soviet radio, there were already demonstrations against the mobilisation. According to an independent correspondent in Krasnodar, the demonstrators said the only troops sent to the Trans-Caucasus should be UN troops.

The most public criticism of the use of troops in Azerbaijan came yesterday

from Mr Boris Yelstin, the maverick Communist Party politician, currently on a visit to Japan.

"It is a mistake to dispatch troops and suppress ethnic problems by armed force," he said. He warned that East European socialism had become corrupted "because it was state socialism guarded by the military," the financial daily Nihon Keizai Shimbun said.

"Perestroika at present is going round and round and getting nowhere. Its prospects are dark unless President Gorbachev joins forces with us. It might collapse within several months."

Other radicals in Moscow see the decision to use force in Baku as a heavy blow to the entire democratisation process in the Soviet Union, despite Mr Gorbachev's insistence that it was taken only after repeated efforts to find a political solution. Critics in Baku say the Soviet troops are still making no special effort to protect Armenians and other minorities

in the city, concentrating instead on guarding administrative buildings.

"That shows their aim," an Azerbaijani journalist said. "Moscow did it only on the day when the party central committee was blockaded by the people."

The use of force in Azerbaijan is a calculated risk for Mr Gorbachev, because the danger of ever more bloody ethnic clashes has been there for all to see. The Soviet leader must have decided that he would win enough support both from the other Soviet nationalities, and in the international community, to take the risk of bloodshed.

A key reason why he was forced to use troops was that his own Communist Party leadership in the area was no longer capable of exerting any authority. Unless Mr Gorbachev was prepared to negotiate directly with the Azerbaijani Popular Front, and therefore openly admit that the ruling party was powerless, he had to fall back on the military option.

Grass-roots revolt sends Siberian party bosses packing

By John Parker in Moscow

A NEW Communist Party leadership has been elected in Tyumen, one of the most important regions of the Soviet Union, after the party boss and his entire top echelon were forced to resign on charges of leading a grass-roots rebellion by local party activists.

An emergency meeting of the committee of the regional party elected as its new leader — but only temporarily — Mr Victor Kitayev, described by the official news agency Tass as "the most democratic representative of the previous leadership."

The meeting — broadcast live in the region in response to strong public interest — decided to bring forward to April a full party conference, at which new elections will be held.

Tyumen, east of the Urals, is larger than South Africa and is the Soviet Union's biggest oil and gas producer. The former party boss is Mr Gennady Bogomyakov, accused by no less than the government's own newspaper, Izvestia, of being "a notorious degree... a model of the command-administrative system".

Last year, he was proposed by the Prime Minister, Mr Nikolai Ryzhkov, as the new Oil and Gas Minister, only to be rejected by the Supreme Soviet, the country's parliament, amid accusations he had turned Tyumen into an environmental desert in pursuit of planned oil-output targets.

Mr Bogomyakov was party boss of Tyumen for 17 years, presiding over its rise to become the heart of the west Siberian oil region, which produces about 60 per cent of the country's oil. Until Mr Gorbachev's arrival, the Kremlin lavished praise on his district's contribution to economic growth.

But, as the account of his "retirement" in a Tass report puts it: "In the euphoria over the development of mineral wealth, it was forgotten there is a need to create the necessary living and working conditions. Settlements and towns in Tyumen lack facilities."

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Roads are bad. There are shortages of housing and an insufficient supply of goods.

This, combined with Mr Bogomyakov's autocratic style, has pushed the local Communist Party into open rebellion. Last week, after he had dismissed his number two, a letter appeared in the local press from the ideology secretary, Mr M. Metakov, savaging his boss's "politics of intrigue".

"It's about time he retired," said another party secretary. "The years of perestroika have changed virtually nothing in the lives of the people of Tyumen. If indeed, things have not got worse."

This week, a meeting of grass-roots party activists called for the resignations of Mr Bogomyakov and his whole political staff. The opportunity for this rebellion has come with Mr Gorbachev's attempt to democratise the Communist Party by encouraging local party bosses to run for office in contested elections.

Though Mr Gorbachev has backed down on the requirement that party leaders must run for election, they are still under popular pressure to prove themselves electorally.

With elections in Tyumen due at the beginning of March, local party members have been trying to get rid of Mr Bogomyakov on the grounds he is unelectable.

Last spring, he stood unsupported for a seat in the Congress of People's Deputies, the country's super-parliament, but failed to win because he did not receive the required 50 per cent of votes.

Whether new leaders will be able to placate the electorate, however, is open to doubt. In the contest to succeed Tyumen's boss, no fewer than 19 candidates have come forward.

According to a member of the local ideology department, an opinion poll in the city of Tyumen, capital of the region, and in the neighbouring electoral district of Khatanga-Mandala showed that only 5-10 per cent of those polled were voting for communists in the forthcoming local elections.

from government forces after withdrawal of Vietnamese troops last September.

A Thai army officer, who declined to be identified, said there had been strong pressure from Bangkok for the move. An order had been sent from the Supreme Command on January 13 that all the guerrillas should be cleared from Thailand.

Guerrillas of the non-communist Khmer People's National Liberation Front (KPNLF), which had also operated from camps on the Thai side following a Vietnamese offensive in 1985, have already moved across, KPNLF officials

said. Apart from the guerrillas and their families in clandestine camps, more than 250,000 civilian refugees live on the Thai side in UN-administered camps.

Thai Prime Minister Chatichai Choonavan last week expressed his support for an appeal by a group of 90 MPs.

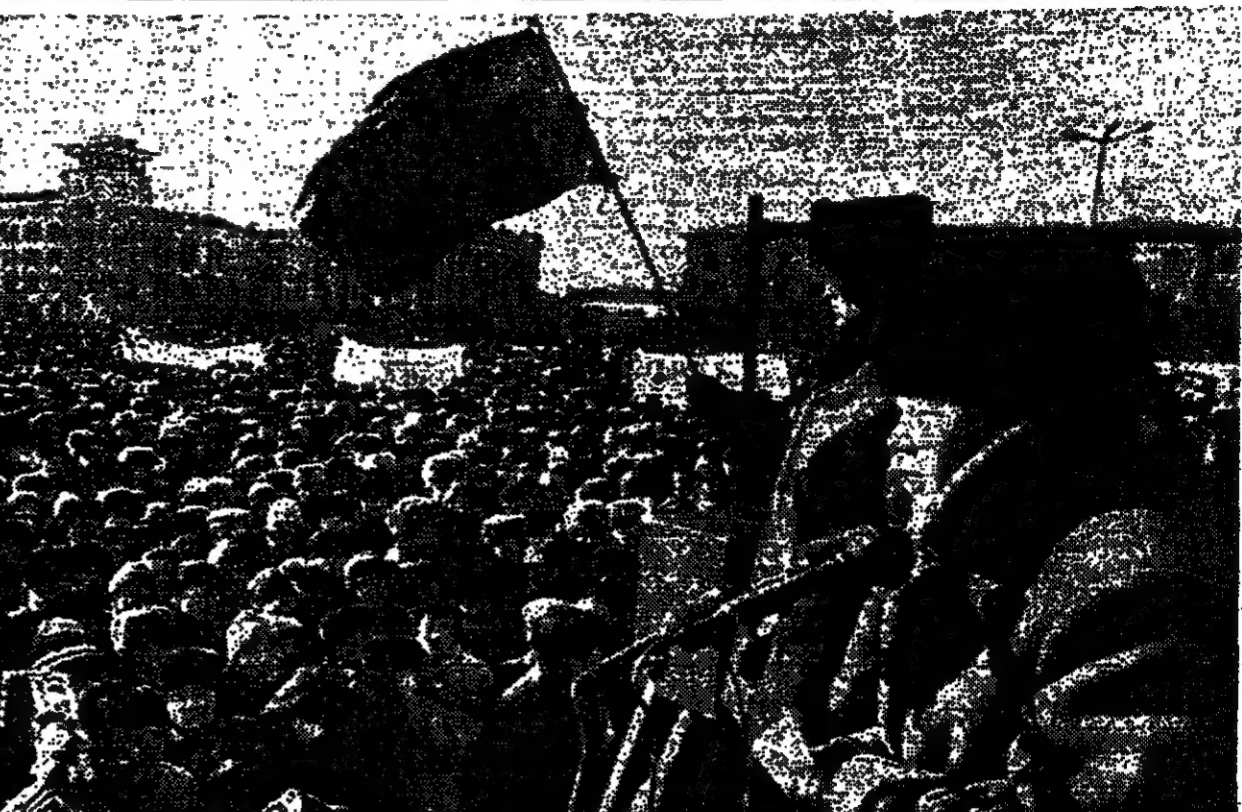
Although the Government formally denies giving the guerrillas sanctuary, journalists and aid workers have visited rebel camps and spoken to military commanders in Thailand.

Bangkok has supported the

three forces — Khmer Rouge, KPNLF and the Sihanoukists — in their fight to oust the Vietnamese and the Communist Government they installed in Phnom Penh, although Mr Chatichai is now seeking more of a mediating role.

Thai military sources said the Khmer Rouge, who ruled Cambodia for four years until 1979, moved from camps in the flat scrubland about three kilometres inside the Thai border to areas under their control inside their own country.

They were Phnom Malai, just south of Aranyaprathet, Phnom Chakral just across



About 7,000 Mongolians defied a government ban on demonstrations and flocked to Ulan Bator's main square (above) yesterday to demand democracy after 69 years of communism, Reuters reports from Ulan Bator.

The leader of the Mongolian Democratic Union, university lecturer Fajansuren Zorig, later said his opposition group wanted a multi-party system, an independent economy and the truth told about Mongolia's blood-stained communist history.

Demonstrators braved temperatures of -22 Celsius (-8 F) to crowd around a rostrum in the central Sukhbaatar square, cheering as Zorig and others denounced the Government. Demonstrators waved banners calling for an end to special privileges for the communist elite and for a five-day working week.

It was the fourth time protesters had swarmed into Sukhbaatar Square since early December. But it was the first action in direct defiance of the Government, which banned demonstrations in parts of the capital last Thursday. Zorig called the ban unconstitutional.

The Union, formed in December, says it has 60,000 members, just 30,000 fewer than the ruling People's Revolutionary Party. The Union has been recognised by the government provided it obeys the constitution. Its leaders have held meetings with Communist Party officials but not the ruling Politburo.

The government under 69-year-old President and party chief Zhambyn Batmunkh has cautiously embraced some of the economic and political reforms of Soviet leader Mikhail Gorbachev. At the same time, the ruling party's Politburo has decided to reduce the privileges of top party members, including a reduction in the number of official cars and the closing of a special food shop, the Soviet news agency Tass reported.

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the spring, the first for 45 years.

As a means of speeding up the reform process throughout the country, the Slovene delegates yesterday threatened to pull out altogether from the federal party if its draft document for a new party structure, based on a confederation which would formally create eight independent communist parties, was not accepted.

The draft document was rejected outright by Mr Slobodan Milosevic, the populist and former leader of Serbia, who accused the Slovenes of

creating a climate for civil war. Serbia, one of the most dogmatic party organisations, supports a multi-party system, but within the framework of the ruling Communist Party.

Besides the loss of power and privileges, it fears that free and independent political parties would be based on ethnic-nationalist aspirations and not on political/ideological goals.

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Moscow's crackdown a dilemma for Iran

MOSCOW'S crackdown in Azerbaijan poses a dilemma for Iran, torn between commitments to follow Moslem Azerbaijanis and the need for political and economic ties with the Soviet Union. Reuters reports from Moscow.

Iran's clerical leaders, who see themselves as protectors of Moslems round the world, are angry President Mikhail Gorbachev sent tanks and troops to suppress Azerbaijanis.

Tehran wants an end to the border war, saying which threatens its carefully cultivated links with Moscow.

At stake are economic pacts worth billions of dollars and hopes that Moscow could help force Iraq to withdraw from Iranian border areas. It still has 17 months after the Gulf war ceasefire. One of the main economic deals between Tehran and Moscow would resume gas exports in March through a pipeline from Iran's southern oil fields to Soviet Azerbaijan.

Iran's late spiritual leader Ayatollah Khomeini blessed Tehran's growing ties with Moscow after a decade of strains, in a letter to Mr Gorbachev a year ago. The links were cemented in a visit by Iran's President Rafsanjani in June, in which he called for greater contacts between Soviet Moslems and Iranians.

In a speech in the Azerbaijan capital, Baku, he has not commented on the latest violence, which Mr Gorbachev has blamed on extremists and Moslem fundamentalists. But other top Iranian officials have criticised the Kremlin for its handling of the crisis, saying Moscow had been influenced by anti-Moslem prejudice.

"The Soviet leadership should know that resort to violence is not the solution to the problem of Azerbaijan," the Iranian news agency IRNA quoted the parliament Speaker, Mehdi Karubi, as saying.

"Obviously, violence and toughness towards people will entail consequences," he added, contrasting Moscow's action in Azerbaijan with its willingness to negotiate in the Baltic republics. The daily Tehran Times yesterday dismissed as "outrageous" reports by the Soviet government newspaper Izvestia that Iran had supplied Soviet Azerbaijanis with weapons.

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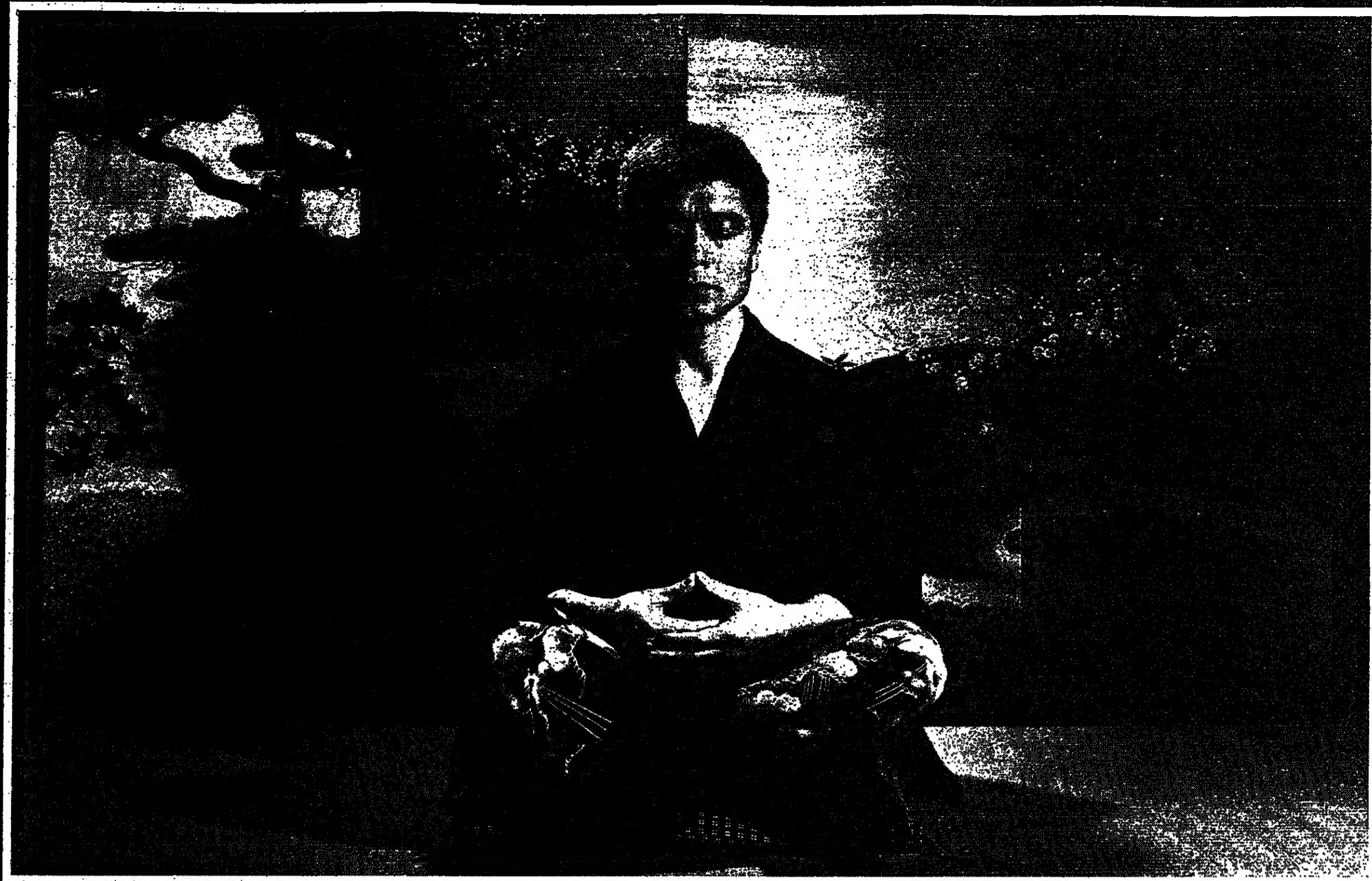
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THE JAPANESE DON'T MAKE DECISIONS LIGHTLY.

SO WHAT MADE TOYOTA CHOOSE POWERGEN TO SUPPLY THEIR ELECTRICITY?

In 1992, Toyota will open a major European car plant at Burnaston, Derbyshire.

It could use as much as 40 megawatts of electricity at any one time. Toyota has agreed that PowerGen will supply its electricity and any relevant hardware.

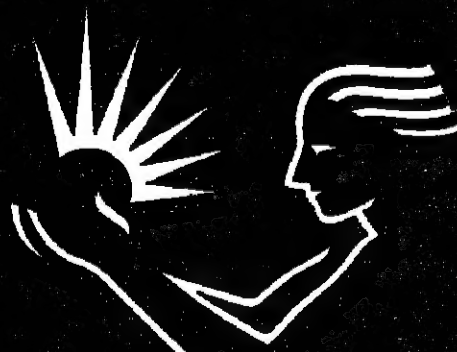
It meant tailoring our package to meet Toyota's specific needs, as well as delivering on value for money and security of supply.

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year or more* on electricity at any one location, you may be able to benefit in the same way.

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*Each location must consume one megawatt or more maximum demand.

PowerGen is currently a division of the CEBG.

NOTICE OF REDEMPTION

To the Holders of

AEGON N.V.

US \$75,000,000

10 1/4% Notes due September 24, 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of September 24, 1985 providing for the above Notes, (the "Notes") and Paragraph 4(b) of the Terms and Conditions of the Notes, AEGON N.V. has elected to redeem all of the outstanding Notes on February 21, 1990 at the redemption price of 101 1/4% of the principal amount thereof plus accrued interest thereon to said date in the amount of \$209,27 per \$5,000 principal amount of Notes.

On February 21, 1990, the Notes designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Notes will be paid upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York in New York or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris, JP Morgan Nederland N.V. at its office in Amsterdam; Union des Banques Suisses (Luxembourg) S.A. at its office in Luxembourg; and Swiss Bank Corporation at its office in Basle. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due on or prior to September 24, 1989 should be detached and collected in the usual manner.

On and after February 21, 1990 interest shall cease to accrue on the Notes herein designated for redemption.

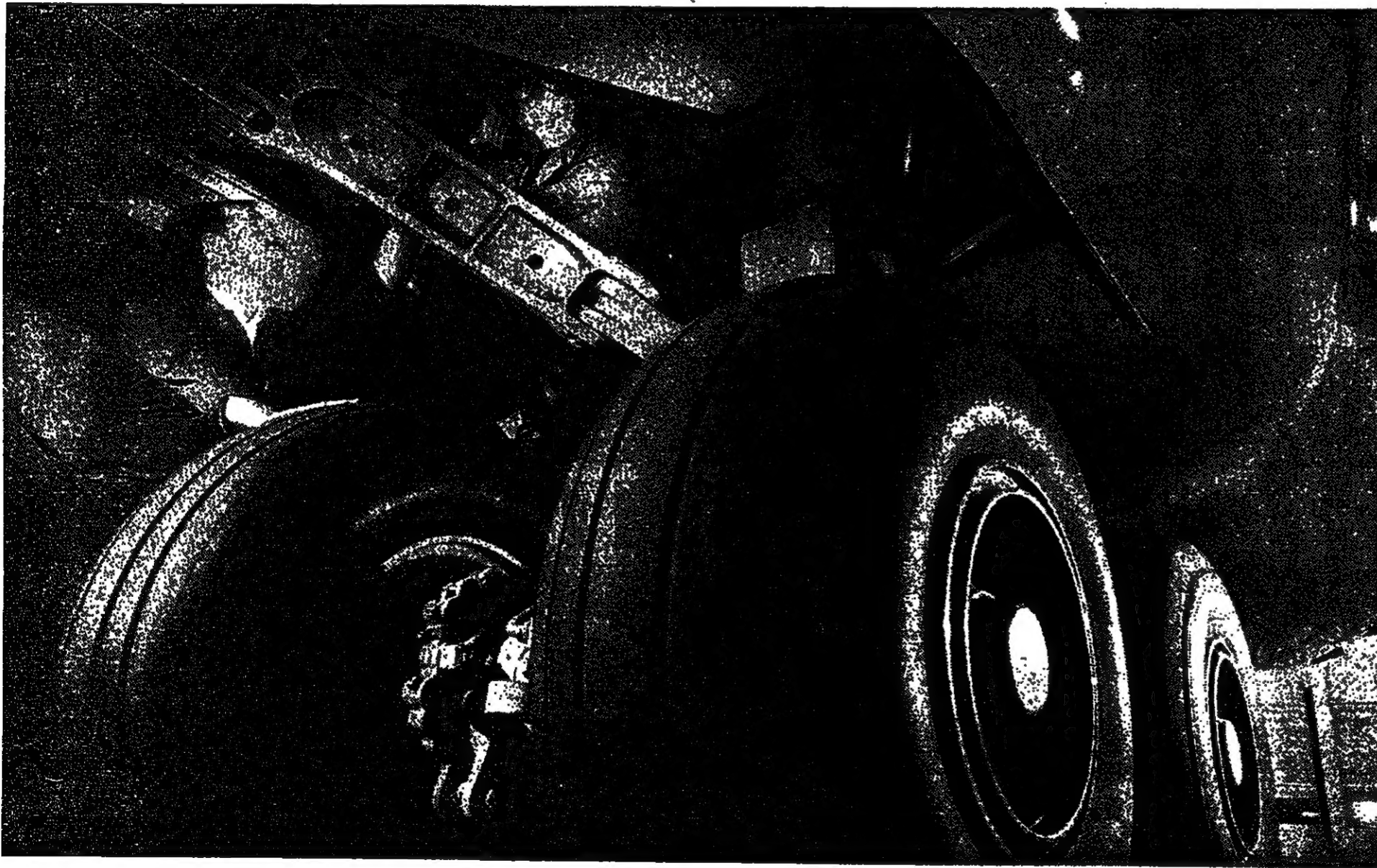
AEGON N.V.

By: Morgan Guaranty Trust Company
OF NEW YORK, Fiscal Agent

Dated: January 22, 1990

Withholding of 30% of Gross Redemption Proceeds of any payment may be required unless the Paying Agent has the correct taxpayer identification number (social security or employee identification number) or exemption certificate of the Payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your Notes for payment within the United States.

**We have people who check
the people who check the people
who check your aircraft.**



You might well call it excessive German thoroughness that we don't let our technicians work unsupervised on an aircraft until they have completed four years' basic training and have at least eight years' practical experience. It goes without saying, however, that their work is still inspected by an even more experienced

technician who, in turn, is checked by a highly qualified engineer. And, after all that, there is the independent inspector from the technical control department who reports directly to the Board of Management. We call this Lufthansa's contribution to inflight relaxation - it's something we simply owe you and ourselves.



Lufthansa

UK NEWS

Pay likely to dominate economic debate

By Philip Stephens

THE rising level of pay settlements is expected to be at the centre of a major debate on the economy in the House of Commons tomorrow.

This will also be a key week in the Ford workers' and ambulance disputes.

Mr John Major, the Chancellor, is expected to underline the Government's view that if large pay increases are not accompanied by commensurate rises in productivity, they will feed through into higher unemployment.

Despite recent reports that more government money may be available to settle the ambulance dispute, Mr Major has been adamant that such a move would undercut

decisive efforts to hold the line on pay in the public sector.

He has also made it clear that he will not relax the present interest rate squeeze as long as the level of private sector settlements is accelerating.

The Chancellor, however, is thought to be under pressure from Cabinet colleagues not to follow recent trends in the money markets and push up again the level of interest rates.

Mr Michael Howard, secretary of state for employment, last night expressed disappointment that unit wage costs in the private sector were increasing. He emphasised, however, that it was up to employ-

ers to decide how much to pay out in wage rises; it was up to the Government to provide the framework.

Tomorrow's debate, which will focus on the Government's autumn economic forecast, will be used by the Labour Party to blame the Government's handling of the economy for the pay pressures.

It will argue that planned price rises for several public sector services and the replacement of domestic rates by the poll tax, or community charge, mark an inflationary "own-goal" by the Government which will encourage still higher pay awards.

Editorial, Page 14

Report attacks Channel tunnel plans

By Andrew Taylor, Construction Correspondent

BRITISH RAIL, the state rail network, and the Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, a London think-tank.

The unit says the failure to develop satisfactory plans to improve links between the regions and the tunnel would only widen the economic divide between the prosperous south-east of England and other areas.

Regions such as the midlands, the north and Scotland would be unlikely to receive any benefit from one of the world's greatest construction

projects unless they were connected to a high-grade European rail network, it adds.

South-east England, in contrast to other UK regions, would benefit from strengthened rail links with the major conurbations of north-west Europe, the unit says.

"It seems astonishing," says the report, "that a rail-based project costing up to £7bn can have got so far without British Rail having come up with a viable solution for joining it to the rest of the rail network."

Kent, meanwhile, could benefit because French authorities fear the area's greater environmental attractiveness compared with the industrial region of Nord Pas de Calais in

northern France would give the English county an advantage in attracting mobile industries, the report adds.

"From the British perspective, the tunnel serves as an unplugged drain through which economic activity will be pulled by the attractions of locating even closer to the economic centre of Europe."

The unit says northern France has relatively high unemployment and was actively encouraging companies to relocate to the area by regional assistance schemes.

"With the possible exception of the Nord Pas de Calais and Hainaut regions, it seems unlikely that the Channel tunnel by itself will prove impor-

tant in solving any of the problems of peripheral areas such as high unemployment, population drift, low incomes and unfavourable age distributions," says the report.

Eurotunnel, the Anglo-French Channel tunnel consortium, is later this year expected to raise up to a further £1.5bn to cover construction costs.

The cost of building and equipping the tunnel, due to be completed in 1993, has risen to more than £7bn compared with an original forecast of £4.8bn.

Channel Tunnel: Economic and Regional Impact; UK and Europe, £195; North America, £265; elsewhere £198. The EIU, Dale Street, London

Lucas starts £1m health care scheme

By Richard Tomkins, Midlands Correspondent

LUCAS Aerospace, the automotive, aerospace and industrial group, has launched what it believes to be the UK's most extensive employee health care scheme.

It is called Lucas Care and will offer medical advice and screening to all 31,000 full-time and 3,000 part-time members of the group's UK workforce.

The service will be offered to employees without charge and within normal working hours. It is estimated that the cost of the company will be between £1m and £1.5m in the first year, depending on take-up.

The introduction of the scheme underlines the trend among manufacturers to maximise the potential of their employees in preparation for growing labour shortages and the competitive challenges of the 1990s.

Lucas has emerged as one of the most progressive UK employers. Last year it introduced a company-funded training and education programme aimed at encouraging its shop-floor and white-collar workers to broaden their skills and qualifications.

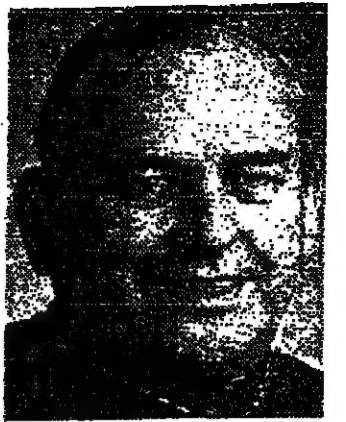
The Lucas Care scheme will be open to all employees on a voluntary basis. It will be administered by the company's own occupational health staff on company premises.

One area to be targeted will be the reduction of heart disease, cancer and strokes.

Workers will be entitled to register screening to identify the risks from high blood pressure, smoking or excessive weight.

IN BRIEF

N Ireland Cardinal challenges politicians



O'Fiaich: call for talks

CARDINAL Tomás Ó Fiaich, leader of Northern Ireland's Roman Catholic community, challenged the province's political leaders to meet and discuss the prospects for progress without surrendering points of principle on either side.

Cardinal Ó Fiaich said on BBC Radio Ulster he believed that in the long term, the people of Northern Ireland and the Republic would realise they had more in common than people in any other part of Europe, and that it would be possible to move a lot closer, perhaps through some sort of federal relationship.

The Cardinal acknowledged that in the immediate future it must be the people of Northern Ireland who decide which sort of government they want.

Ultimatum on Rushdie

A British Moslem leader named withdrawal of Salman Rushdie's book, *The Satanic Verses*, as the pre-condition to end the hounding of the author accused of blasphemy.

Dr Kalim Siddiqui, the director of the Moslem Institute, said: "If the book was withdrawn and compensation paid to the worst sufferers of this episode, we would consider the matter closed."

Theatre sponsorship

Jeffrey Archer, the author and former deputy chairman of the Conservative Party, announced the first commercial sponsorship of one of London's West End theatres.

His Playhouse Theatre in London's Northumberland Avenue will receive £500,000 during the next three years from the MI Group, a finance investment company.

Rescue hoax

A major air and sea search was scaled down after a mayday message reporting 10 people in lifeboats was suspected of being a hoax.

The rescue operation was launched at the weekend after radio hams in the US and Britain picked up the call from what was described as a Spanish-registered vessel, the *Armin Rose*.

Coastguards co-ordinated a big search but failed to find any trace last night.

Threat to monarchy

Only 49 per cent of Britain's population believes the monarchy will survive the next 100 years, according to poll conducted by the Sunday Times newspaper.

KOREA GROWTH TRUST
International Depositary Receipts
evidencing Beneficial Certificates
representing 1,000 Units

Notice is hereby given to the unitholders that Korea Growth Trust declared a distribution of Won 550,000 per IDR of 1,000 Units payable on January 29, 1990 in the Republic of Korea.

Payments of coupon Nbr. 5 of the International Depositary Receipts will be made in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- New York, 30 West Broadway
- Brussels, 35 avenue des Arts
- London, 55 Angel Court
- Frankfurt, 44/46 Mainzer Landstrasse
- Zurich, 38 Stockenstrasse

The amount of dollars shall be the net proceeds of the sale by the Fund of the won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on January 29, 1990.

The proceeds of the coupons presented after January 29, 1990, will be converted into US Dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. Those documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the Full rate of 26.875 pct Korean non-resident withholding tax will be retained.

With respect to the Korea Growth Trust Prospectus and pursuant to clause 18(D) of the Trust Deed notice is also given that, as from May 29, 1990, payment of coupon no 5 will be made under deduction of 26.875 pct of the Korea withholding tax.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BRUSSELS OFFICE, AS DEPOSITARY

*On April 1,
use our leadership
to achieve yours.*

*You are making plans to be a leader in world markets.
We are making plans to be the leader in world banking.
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Head Office: Tokyo



TAIYO KOBE BANK
Head Office: Kobe Headquarters: Tokyo, Kobe

UK NEWS

Manchester faces £733 poll tax, report suggests

By Philip Stephens, Political Editor

MANCHESTER Council will today examine an official report that says that it will have to set a community charge, or poll tax, of £733 in April - more than twice the expected national average unless it agrees sharp cuts in spending on new creative accounting devices.

The figure, contained in a report drawn up by the officers of the Labour-controlled authority, is expected to provoke a sharp attack by ministers on the level of tax planned by Labour local councils.

After last week's vote in the House of Commons confirming the arrangements for the tax, ministers are determined to "go on to the offensive" in defending its introduction.

That will involve blaming Labour councils for any sharp rises in the amount individuals will have to pay relative to the present system of rates and, possibly, the introduction of compulsory "caps" on spending by particular authorities.

Yesterday Mr David Hunt, the Local Government Minister, said he was concerned about "evidence of abuse of local power in Manchester."

The authority seemed intent on "setting the highest charge it can get away with rather

than the lowest level compatible with value for money."

According to government figures, Manchester should set a poll tax of about £315 a person in April. It is accepted in Whitehall that the figure may be on the low side, but ministers will argue that the blame for anything but a small increase will rest firmly with the council.

The document drawn up by the officers suggests that Manchester's spending will be £50m higher in 1990-91 than allowed for by the Government. Depending on the specific comparison, that would allow for an increase in spending over this year of between 14 and 33 per cent.

The document also highlights the large amount of cash owed by the council from previous creative accountancy schemes.

They include £50m owed under a leaseback arrangement and £127m by Salford, a company set up by the council.

It suggests further such arrangements might cut the poll tax bill for next year to around £590 a person. That would still leave it, however, at twice the £278 figure which the Government has set as a national average.

SE may act over Brent Walker share deal

By Richard Waters

THE STOCK Exchange is believed to be looking into the sale by leisure group Brent Walker of shares in Baldwin, another leisure company, late last year.

Brent Walker's chairman, Mr George Walker, was a director of Baldwin until the sale of the shares, amounting to 17.3 per cent of Baldwin, on December 29.

The sale was made in advance of Baldwin's annual results, due today - whereas the exchange's code of conduct on directors' share dealings forbids dealings in the two months before a price-sensitive announcement.

Brent Walker said yesterday: "We weren't in breach of



George Walker: not in board meetings for a year

the code, either legally or morally." It said that, since the Baldwin shares were owned by Brent Walker rather than by Mr Walker personally, and since Mr Walker owned less than 30 per cent of Brent Walker, the sale was not covered by the exchange's code.

The company took legal advice from Simmonds & Simmonds before the sale went ahead.

The company also said that Mr Walker had not attended any Baldwin board meetings since Brent Walker acquired its stake on the acquisition of Ellerman Holdings, the pubs, brewing and wine group, a year ago.

Transactions involving directors are routinely monitored by the exchange. Any that fall within the two months specified in the code are automatically taken up for investigation by the exchange's quotations department, and are referred to its insider dealing group.

Hollywood looks rouse the bruised faithful

Philip Stephens charts Kenneth Baker's tour which begins the election campaign

NINE O'CLOCK on a Saturday morning in the freezing, dismal greyness of Cleckheaton, West Yorkshire: it is hard to think of less appropriate circumstances for a political rally.

In the cramped offices of the Batley and Spennorth Conservative Association, however, the party faithful have gathered to cheer their embattled spirits.

Mr Kenneth Baker, the party chairman, is here from London to open officially the first headquarters the local party has had since it won marginal Batley and Spennorth in 1983. He is there to reassure them that, whatever the opinion polls are saying about the Government's popularity, about high interest rates, about the community charge or poll tax, there is still time to recover before the election, due by mid 1992.

Mr Baker, responsible for running the election campaign, is starting early. On his success or failure will ride not only the Government's hopes of a fourth term but also his own keen ambition to succeed Mrs Margaret Thatcher as party leader and Prime Minister.

So his two-day lightning tour of West Yorkshire is the 18th such visit since he took over as chairman last July. By the time the election eventually is called he will have criss-crossed the country dozens of times.

In Cleckheaton, with Mrs Elizabeth Pennington, the local MP, at his side, Mr Baker's message is clear, simple, and delivered with the reguless charm that is his political trademark.

The real election battleground will be in constituencies just like this: in Yorkshire, the north-west and the Midlands, where Conservatives during the 1980s have destroyed Labour's traditional

stronghold on power. The shape of the approach that Mr Baker is preparing for that battle comes across in just a few sentences - delivered in the clipped, "sound-byte" style that looks certain to dominate the Tory campaign.

The party must focus on the Government's achievements over the past decade: the economic success, the tax cuts, the education reforms, the extensions of individual choice and freedom. The vibrant 1980s must be contrasted over and over again with the sagging and demoralised 1970s.

The second task is to "expose" Labour's policy review for what it is - a sham. Mr Neil Kinnock and his colleagues must be cast as socialists hiding under a centre-ground cloak. "Their conversion is skin deep, they still remain a socialist party, a left-wing party that would bring back all the failures of the past," he said.

With the centre parties now out of the game, the election will be a straight fight between "the successes of Thatcherism and the dismal failures of socialism."

Twelve or so hours earlier, Mr Baker has delivered the same message to hundreds of local activists at a series of rather grander occasions in the neighbouring safe seat of Skipton and Ripon.

Moving easily among the local Conservative dignitaries in the stately homes of Broughton Hall and Ripley Castle, he never once slips his confidence - nor the famous smile that completes his 1950s Hollywood good looks.

Every supporter is treated as the one person Mr Baker had always been waiting to meet. Each gets a promise that his or her particular worry or gripe will be transmitted speedily to Cabinet colleagues in London.



Kenneth Baker: taking a grim message back to Westminster

Among the working-class Tories of Batley or the Yorkshire aristocracy at Ripley Castle, the effect is the same. Smiles, applause and a warmish glow.

A distinguished matron in regulation grey suit, white blouse and strings of pearls confides that only Mr Michael Heseltine, his arch-rival for the future leadership, gets similar treatment.

An audience of 100 or so wining and dining amid the 18th-century splendour of Broughton Hall happily joins a new party game - repeating again and again that unemployment has fallen in Britain for 41 consecutive months.

The worries, however, do not disappear. Albert with sugary politeness, Mr Baker is reminded constantly about the damaging impact on morale of high inflation and mortgage rates, the poll tax, and the ambulance dispute.

The poll tax, the subject of a seropis

revolt by Conservative MPs just a few days earlier, is on everyone's mind. Many agree with the principle but few believe that the system due in April will work effectively.

Decent, presumably Tory, people in low-rated houses would see their bills double or treble, one activist complained, referring to the difficulties faced by her "daily" help. The Conservatives, she fears, will pay the price in the local elections due in May.

Mr Baker's soothing words - that the poll tax figures have not been exaggerated, that it would be easy now to single out irresponsible Labour councils - are not enough, although no one is so impolite as to remind him that he came up with the whole idea when he was Environment Secretary.

On Saturday afternoon at a garish hotel on the outskirts of Bradford, the message at a gathering of some of the region's local Conservative councillors is rather more cheering.

Mr Eric Pickles, the leader of Bradford Council, is confident that the poll tax will not prevent the Tories from increasing their water-thin majority in the May elections. Others see plenty of scope to play "the loony-left card."

Mr Baker's keen political antennae, however, will not have missed the overall message of this latest trip. The Government's supporters are bruised rather than battered, but charm is not enough to sustain their morale indefinitely.

That one can imagine him telling his colleagues this week, will need lower inflation, cuts in mortgage rates, more money to ease the impact of the poll tax, and a gentler touch in sensitive industrial disputes.

Closer ties with EC urged on Thatcher

By Philip Stephens, Political Editor

CONSERVATIVE supporters of closer European integration yesterday announced the establishment of a new group to press the Government for a more positive approach to the European Community.

The organisation - the Positive Europe Group (PEG) - is being set up ahead of what is expected to be a tense meeting on Wednesday between Mrs Margaret Thatcher and the party's representatives at the Strasbourg Parliament.

Mr Michael Welsh, the Tory MEP for Lancashire Central, has been named as chairman of the group, which called yesterday for a much clearer British commitment to European monetary union.

A memorandum circulated by PEG to all Conservative MPs, also urged the Government to take sterling into the European Monetary System's

exchange-rate mechanism during 1990 and to adopt a more positive approach to the European Parliament.

It says that Britain now faces a "real choice" between playing a full part in "building a new, cohesive European entity", or allowing its 11 partners to "move ahead without us."

Mr Welsh added that: "It would be tragic if the Conservative Party risked throwing away the credit it deserves for having brought Britain into Europe and for having set the agenda in the EC's economic policy."

Wednesday's meeting between the Prime Minister and the MEPs is designed to ease some of the conflicts that followed the Government's defeat at the hand of the Labour Party during last year's European elections.

North-west is buoyant, says chambers of commerce survey

By Ian Hamilton Fazey, Northern Correspondent

NORTH-WEST England's economy, which accounts for about 11 per cent of the UK's gross domestic product, is showing unexpected buoyancy, in spite of lower national growth.

That is the main finding of the first combined quarterly economic survey of the region by 10 local chambers of commerce. The chambers usually report separately, presenting a sometimes patchy and confused picture.

The new survey covers more than 800 businesses and presents a much broader picture of the regional economy.

Nearly half the businesses reported fuller order books in the fourth quarter of 1989. Business was steady for a fur-

ther 26 per cent.

Significantly, export activity in the Manchester area - the main driving force of the region - surged, with 40 per cent reporting more orders as opposed to only 19 per cent reporting a decline. A year ago, the two figures were reversed.

In the region as a whole, only 18 per cent of manufacturers and 11 per cent of service companies shed labour, while 33 per cent and 43 per cent respectively took on more people. A third of manufacturers and 28 per cent of service employers say they will take on more staff this quarter.

The survey would appear to confirm a trend that emerged in Manchester chamber's survey of the third quarter of last

year, that a substantial part of the north-western economy has become more capable of sustaining itself and is not so dependent on national or south-eastern trends.

The results are reflected in confidence levels, with only about 7 or 8 per cent of manufacturers and service companies saying that they are going to trim investment in plant or buildings. The bulk - between 61 and 71 per cent - are sticking to previous plans, with between 21 per cent and 32 per cent revising investment plans upwards.

However, concern remains over high interest rates and inflation, as well as recruitment of skilled, professional and managerial staff.

Economic squeeze affecting Wales

By Anthony Moreton, Welsh Correspondent

THE SQUEEZE on the British economy which has largely bypassed Wales now appears to be having an effect on the principality.

The latest issue of Welsh Economic Review, comments that the rate of business failures increased by 10 per cent in the first half of last year compared with the same period 12 months earlier and the number of company liquidations went up by 40 per cent in the period.

"More significantly," the report states, "the rate of failures in Wales was considerably above that for the rest of the country." It also expects any

fall in consumer spending to have an effect on the Welsh economy, which contains companies such as Hoover and Hotpoint.

Wales has managed to buck much of the downturn in the national economy because of the strong flow of inward investment into the principality. However, unemployment figures published this week, after the Review went to press, show that the number of jobless rose in December for the first time for almost four years.

Although the number was not particularly significant, it does indicate that the long boom might be coming to an

end. Reports from the banks indicate that companies are now taking longer over their investment decisions.

Welsh Economic Review, published by the Cardiff Business School with the support of the Institute of Welsh Affairs, also shows that Wales continues to nurture new businesses.

In 1989, the latest year for which figures are available, Wales was fourth out of the 11 UK regions for new company formation. In the first half of the 1980s it had been eighth.

From Cardiff Business School, Cardiff CF1 3EU. £50 annual subscription.

Inflation is higher for low-paid, unit says

By Alan Pike, Social Affairs Correspondent

INFLATION FOR the low-paid is running at 8.5 per cent, not the official level of 7.7 per cent, according to an alternative Low Paid Price Index.

The index produced by the Low Paid Unit and the National Union of Civil and Public Servants - is directly comparable with the official index, which was published on Friday and showed inflation at 7.7 per cent for the second successive month.

The Low Paid Price Index shows that the cost of food, housing and other necessities has risen in comparison with other goods.

It says prices of some meats have risen by up to 17 per cent, potatoes by 16 per cent, butter by 13 per cent and milk by

10 per cent over the past year. Rent, rates and water charges, according to the alternative index, have gone up by 10 per cent or more, while the rise in mortgage interest rates has caused hardship for many low-income households.

By comparison, items such as telephones, electrical goods and hi-fi equipment - which are more likely to be available to wealthier households - have shown little increase in price over the year, while motorway costs have fallen.

The Government's Social Fund will today face a High Court challenge from the Child Poverty Action Group and Social Law Centre.

The two organisations will seek a judicial review of the

fund, which is intended to give assistance to people living on Department of Social Security income support. They will argue that it does not give proper consideration to people's needs.

Poverty organisations have been critical of the fund ever since it replaced the old system of special grants for people dependent on social security benefits nearly two years ago.

The fund is intended to help social security claimants to meet basic, urgent needs such as the purchase of furniture. Unlike the grant-based system, most money from the fund is paid as loans which are repayable out of social security benefits. It is also cash-limited and

that, say critics, can lead to local social security offices making conflicting decisions in identical circumstances.

Barclays Bank Stand-By Rate

With effect from 23rd January 1990 the interest rate on Barclays Stand-By facility will be increased from 1.75% to 1.9% per month.

Published by Barclays Bank PLC, Personal Sector Marketing Department, Reg. No. 1026467, Reg. Office: 54 Lombard Street, London EC3P 3AH.

HARRISONS MALAYSIAN PLANTATIONS BERHAD

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the Theatre, Ground Floor, Bangunan MIDF, Jalan Tun Razak, 50400 Kuala Lumpur, on Wednesday, February 21, 1990, at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as Special Resolutions:

SPECIAL RESOLUTION 1
That the name of the Company be changed from "Harrisons Malaysian Plantations Berhad" to "Golden Hope Plantations Berhad."

SPECIAL RESOLUTION 2
That the Articles of Association be altered in manner following:

- By substituting the following new Article for Article 10:
"10. Every person whose name is entered as a member in the Register shall be entitled without payment to receive one certificate under the Seal in accordance with the Act for all his shares of each class or, upon advance payment of such sum as the Directors may from time to time determine and which the Company may be permitted to charge by law and by the appropriate Stock Exchange governing the register concerned for each additional certificate, or several certificates, each for one or more of such shares plus any stamp duty levied by the government concerned from time to time. In respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders. Subject to any directions given by the Board from time to time regulating the issue of such certificates, all share and stock certificates (debentures or debenture stock certificates shall be signed by one Director and the Secretary and the Seal (or any other official or Seal whose use is authorised under these Articles) shall be affixed to the same. Such signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the auditors or transfer auditors or bankers of the Company unless a Share Seal is authorised and used."
- By substituting the following new Article for Article 11:
"11. Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity (if any) being given by the shareholder, the person, purchaser, member firm or member company of The Kuala Lumpur Stock Exchange or on behalf of its/their clients as the Board shall require, and (in case of defacement or wearing out) on delivery of the old certificate, and in any case (in the event permitted by law and by the Stock Exchange governing the register concerned) on advance payment of such sum as the Directors may from time to time determine plus the stamp duty payable under any law for the time being in force. In the case of destruction, theft or loss a member to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss and to such indemnity."
- By substituting the following new Article for Article 30:
"30. Any shares in the Company shall be transferred by instrument of transfer in any usual or common form, or in such other form as shall be approved by the Stock Exchange on which all or any of the shares of the Company have been admitted for listing. The instrument of transfer of shares shall be signed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Provided that in the case of a partly paid share the instrument of transfer must also be signed by or on behalf of the transferee. Any fee charged on the transfer of a share shall be a sum of money paid in advance as the Directors may from time to time determine and which the Company may be permitted to charge by law and by the appropriate Stock Exchange governing the register concerned."

By Order of the Board
Mohd. Nadzir Mahmud
Secretary
Kuala Lumpur
January 22, 1990

NOTES

- Special Resolution 1**
Pursuant to a Shareholders' Agreement dated September 30, 1982, (hereinafter "the Agreement") between Harrisons & Crossfield PLC (hereinafter "H & C") and Permodalan Nasional Berhad and Harrisons Malaysian Plantations Berhad (hereinafter "HMPB"), it is a term in the Agreement that in the event H & C's beneficial interest in HMPB be less than twenty percent (20%) of HMPB's total paid-up capital, HMPB will be required to change its name to a name which does not include "Harrisons" or the letters "H & C". This Resolution is the consequence of H & C having disposed of its entire beneficial interest in HMPB on March 2, 1989, amounting to thirty percent (30%) of HMPB's total paid-up capital.
- Special Resolution 2**
It is the intention of the Company to increase the fees chargeable on the issuance and replacement of share certificates and the transfer of shares to more accurately reflect the current and future administrative and processing costs incurred and to be incurred by the Company in such procedures. The fees are of course, subject always to the statutory limits laid down by the Kuala Lumpur Stock Exchange Listing Requirements and Companies Act 1965. The proposed amendments have been approved by the Kuala Lumpur Stock Exchange.
- Proxy**
A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's registered office 12th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Survey identifies language needs

By Lisa Wood

THE ABILITY to speak a foreign language is one of the skill needs that will affect the future performance of British industry, according to a survey by KPMG Peat Marwick McLintock, the management consultancy.

The UK-wide survey called Skills Shortages was based on interviews with 210 employees in 104 companies.

It identifies three key issues in combating skill shortages: foreign language learning, flexible working hours and better child care.

For two of those - foreign language learning and flexible working hours - companies felt they had reasonably well estab-

lished policies and were relatively well prepared.

However, employees of the same companies felt that they were much less well prepared. That was also reflected in conflicting answers to questions on other issues, particularly child care.

Almost 30 per cent of employees felt that their company should provide financial help with child care. None of the companies agreed.

Most companies are doing nothing to counter the worsening shortage of skilled workers, according to a survey published today.

The findings were contained in a survey of the salaries and

conditions of 9,000 secretaries employed by 345 London companies.

In 1989, secretarial pay increases dropped back to just over 11 per cent, compared with almost 17 per cent over the previous year.

The survey, by recruitment consultants Gordon Yates, also asked the companies what steps they had taken to combat the reducing pool of skilled labour caused by population trends.

More than half the respondents - 56 per cent - said: "None." Only 2 per cent were considering company crèche facilities to attract mothers back to paid employment.

UK NEWS

Lodging a bid to capture the traveller

Hotel groups are fighting hard to meet the upturn in business, writes David Churchill

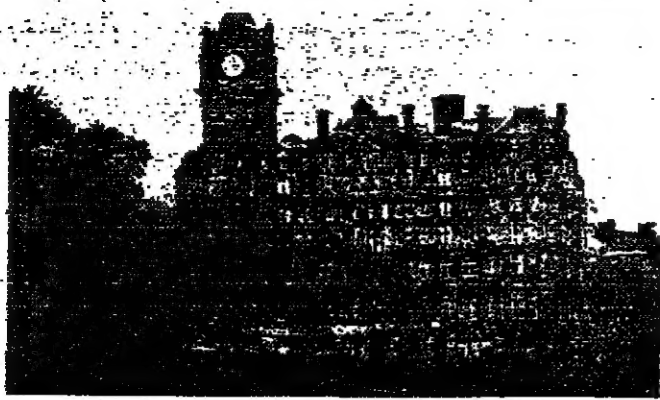
THOUSANDS of people will have paid £50 a head and more over the weekend to enjoy the scenic delights around Britain's luxury country house hotels.

Weekend breaks in luxury country house hotels are among the fastest growing areas of the UK hotel industry, which ended the 1980s with considerably more optimism than it started the decade. Only a few years ago, UK hotels were perceived as a poor investment with sluggish growth prospects.

Now, however, hotel operators are struggling to find sufficient sites and staff to meet the anticipated demand. The International Hotel and Catering Exhibition, which opens at London's Olympia today, reports a record number of exhibitors - more than 1,000 - with more than 60,000 visitors expected from all over the world.

The struggle for sites is typified by the bitter boardroom battle being fought for control of Norfolk Capital, which operates 16 luxury hotels throughout the UK, such as the Norfolk British Hotel in Edinburgh and the Royal Crescent in Bath.

Mr Peter Tyrie, until last July managing director of the Mandarin Oriental Hotel Group, is seeking to oust Mr Peter Ryles, Norfolk Capital's managing director. Mr Tyrie's new hotel operation, Balmoral International, has taken a 13 per cent stake in Norfolk Capital at a cost of some £17m and is seeking to persuade other shareholders that Mr Tyrie and



North British Hotel: subject of a takeover attempt

colleagues, would form a more effective management team.

The fight, which comes to a head at an extraordinary general meeting of Norfolk's shareholders this month, shows just how keen hoteliers are to acquire up-market hotels in the UK.

The potential is also drawing in other entrants to the market: three former senior executives at Holiday Inn in the UK, for example, are expected to announce next week that they have secured £100m in backing for developing an up-market hotel chain throughout Britain.

Holiday Inn itself is seeking to expand in the UK, through its budget hotel chain called Garden Court. Other leading hotel groups, including Marriott, Hyatt and Hilton International, have all targeted the UK as a growth market and are planning to build both budget and luxury hotels in Britain over the next few years.

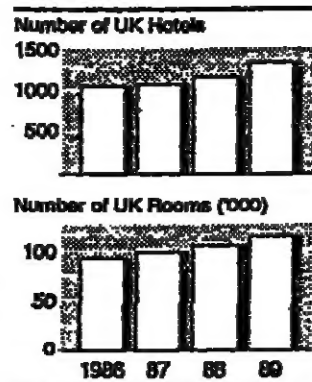
Hilton, for example, yesterday announced plans for a £36m hotel in the centre of Glasgow over the next two years.

Accor, of France, the largest hotel group in continental Europe, also believes that the UK offers significant growth and has plans for 80 UK hotels trading under the Ibis and Novotel brand names to be built over the first half of the decade.

They will be budget hotels - typically costing under £30 a night - which is where hoteliers see a clear market opportunity. British business and leisure travellers - and the record numbers of visitors to the UK - are seeking a higher standard of hotel accommodation at an affordable price.

Mr Paul Slattery, a hotels analyst with Kleinwort Benson, the stockbrokers, points out that much of the UK's existing hotel stock is in secondary locations and is old and poorly sited and has a long history of under-investment.

UK Hotels



But the biggest obstacle facing all hoteliers in the UK is simply finding enough staff to operate their hotels. Mr Norman Renshaw, market development specialist at Alfred Marks, says that "by 1985 the hotel and catering industry will require 50 per cent more staff than it currently employs - about one in every ten of the UK's workforce."

The shortage is acutely demonstrated in Southampton, where both Novotel and Hilton plan to open hotels this year. With a local unemployment rate of under 5 per cent and more than half of all young people in the area staying on for further education after reaching school-leaving age, hotels are struggling to find staff to train. Nationwide, there are about 120,000 vacancies in the industry.

Mr Malcolm Wood, marketing director of BAA Hotels, said: "There is a negative image associated with recruitment in the hotel and catering industries. We are trying to counter this by developing fresh means of retaining and motivating staff - it is the only way forward for the hotel industry as a whole."

Barrage seen as crucial for Cardiff Bay project

By Anthony Moreton, Welsh Correspondent

SUCCESS FOR the £1bn redevelopment of Cardiff's docklands hinges on winning support in Parliament for a barrage across the mouth of the bay, according to a report commissioned by Cardiff Bay Development Corporation.

A private bill sponsored by the corporation to authorise the £115m barrage is working its way through Parliament. It has passed through the Lords and is now being considered by a Commons select committee after receiving its second reading before Christmas.

The report, which is to be presented to the committee, says, "Without the barrage, the incentives for the development of much of the area would be diminished."

Opposition from outside interests, such as the Royal Society for the Protection of Birds, is still being mounted. British Gas withdrew its opposition last week.

The corporation was set up in 1986 to redevelop 2,700 acres of the Welsh capital's decaying docklands, the largest urban redevelopment project in Europe after London's 8,000-acre project.

The project would create an enclosed water area of some 800 acres and allow some three miles of waterside to be developed.

Competition among food retailers will increase, report says

By Maggie Urry

FOOD retailers face a period of even tougher competition, with the £36bn market not expanding fast enough to support the expansionary aspirations of the market leaders, a report from Verdict Research, the retail consultancy firm, argues.

However, a price war between supermarkets, like that seen in the late 1970s, is unlikely, Verdict says. Only two groups could win such a war - J Sainsbury and Tesco, the two largest chains - and neither would want to start one. Instead, the focus of competition will be on quality rather than price.

Increased margins during the 1980s have partly been achieved through a greater emphasis on higher-margin products such as fresh foods, and through investment in larger stores, which are more profitable to run.

The ranking of the five leading food retailers has changed during the last year, after the

takeover of Gateway and the sale of £1 of its supermarkets to Asda. Sainsbury, with an estimated 15.8 per cent of the market, and Tesco with 13.0 per cent, have remained in the first and second place. Asda, which owns Safeway, has moved up to third place with 11.0 per cent. Asda has 10.5 per cent and Gateway is in fifth place with 6.2 per cent.

During the 1980s the leaders have gained market share by taking from weaker participants, as well as through acquisitions, Verdict says. In the 1990s, as the powerful groups have a greater proportion of the market, it will be harder to take additional market share.

Further, other groups, such as Marks and Spencer, have announced expansions of their UK food operations.

Verdict on Grocers and Supermarkets. Verdict Research, 112 High Holborn, London WC1V 6JS. 1989

Newcastle recycling scheme

SOME 2,000 households in Newcastle upon Tyne will take part in a scheme to recycle throw away plastic bottles. The four-week project, believed to be the first such in Britain, will try to re-use the waste material that has proved one of the hardest to dispose of.

The project is a joint venture between the local authority and detergent makers Procter & Gamble, which has headquarters in the city. It follows research by Procter into recycling dense polythene by sandwiching it between fresh plastic to make new bottles.

APPOINTMENTS

N.G. Bailey managing director

Mr Brian Cooper is to join the board of THE N.G. BAILEY ORGANISATION on February 12 and will succeed Mr Noel Bailey as managing director of N.G. Bailey & Co. Mr Cooper was group managing director of the Coalite Group. Mr Bailey retires at the end of April, but will remain a director of the Organisation, becoming chairman during the year.

ELLIS & EVERARD CHEMICALS has appointed Mr Ray Duffin as managing director. He was sales director at Sheffield Insulations, and succeeds Mr John Philpotts who has become managing director of Ellis and Everard's European operations.

HYMAN has appointed Mr Brian Jansen as works director of Halifax-based subsidiaries Ryburn Foam and Ryburn International.

PUNTER SOUTHALL KERR & CO, consulting actuaries, has elected Mr Stuart Southall as senior partner. His post as partnership secretary will be taken over by Mr Peter Kerr.

Mr Peter Rawlins has been appointed a non-executive director of LLOYD-ROBERTS & GILKES, underwriting agents at Lloyd's. He is chief executive of the International Stock Exchange.

A consortium of investors has bought 25% of RYCOTE PROPERTY GROUP, Aylesbury, from Mr Rupert Lawrence, the founder, who is managing director. Joining the board will be Mr Trevor Bedford, former chief

executive of The Hongkong Land Group, as chairman; Mr Ian McLeish, chairman and managing director of Kerr, McLeish, as financial director; and Mr Michael Sandberg, as a non-executive director representing Hong Kong interests.

Mr Carl van Leeuwen has been appointed managing director of UNITED TRANSPORT TANKCONTAINERS.

THE GOODING GROUP has appointed Mr Rene Faber as group managing director. He was managing director of Van Leer (UK), subsidiary of a Dutch company.

Mr Cameron Craig has been appointed chairman, and Mr John Scarrow managing director of SOIL MECHANICS, a John Mowlem & Co subsidiary. Mr D.L. Foggy, a non-executive director, has retired, and will be replaced by Mr John Gains.

SHOTTON PAPER COMPANY, a wholly-owned subsidiary of United Paper Mills, has promoted Mr Christopher Robinson from financial controller and company secretary to finance director.

Cooker maker STOVES has appointed Mr Jim Bates as finance director. He was vice president, General Electric Technical Services Co, London-based subsidiary of the US company.

PICKWICK GROUP has appointed Mr John Cummings as finance director. He was chief financial executive and company secretary, and is succeeded as company secretary by Mr Jonathan Lees.

JOHN MOWLEM AND COMPANY has appointed Mr Colin Grainger to the boards of Mowlem Construction Company (East Africa),

Mowlem (Pakistan) and Mowlem (Uganda).

Mr Roger Cadbury has joined WHITWORTH'S HOLDINGS as group managing director. He was previously managing director of General Foods. Mr Bob Shortland has become company secretary.

Mr Hugh Scrimfield has been elected president of the INSTITUTE OF ACTUARIES in succession to Mr Roger Corley and will take up office on June 25. He is general manager and actuary of Norwich Union Insurance Group.

GE CAPITAL CORPORATE FINANCE GROUP has appointed Mr Edward Altmeyer as director. He will have specific responsibility for spearheading expansion into the German market. He was previously with Deutsche Bank, where he was executive director in charge of corporate finance.

HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr T.C. Bales, Mr J. Gordon, Mr D.L.P. Kelly, Mr D. Martin and Mr J.E.R. Wanchope to the board of Gardner Mountain Capital-Care Agencies.

SINGER AND FRIEDLANDER has appointed its first board director in the South West. He is Mr Peter Burditt, who is based in the Bristol office.

PHILIPS FINANCE SERVICES, part of the Philips Electronics Group, has appointed Mr David Denton as manager, asset finance division. He previously held a senior management post within the leasing activities of Forward Trust Group, part of the Midland Bank.

More appointments on page 10

PUBLICATION JUDICIAIRE

La 17ème chambre du Tribunal de Grande Instance de Paris, par jugement en date du 12 juillet 1989, a déclaré Monsieur Claude PERDRIEL, directeur de la publication du journal LE NOUVEL OBSERVATEUR, coupable de diffamation publique envers un agent chargé de l'autorité publique, Monsieur Alain BOUBLIL. Elle a déclaré Monsieur Jean-Jacques CHIQUÉLIN, journaliste, coupable de complicité de ce délit, faits prévus et réprimés par les articles 23, 29 alinéa 1, 31, 42 et suivants de la loi du 29 juillet 1881.

Elle a condamné Messieurs Claude PERDRIEL et Jean-Jacques CHIQUÉLIN à la peine de QUATRE MILLE FRANCS d'amende chacun.

Elle les a condamnés solidairement à payer à Monsieur Alain BOUBLIL la somme de DIX MILLE FRANCS à titre de dommages intérêts et celle de QUATRE MILLE FRANCS au titre de l'article 475-1 du Code de procédure pénale.

Pour extrait, Maître Thierry LEVY, Avocat à la Cour.

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MANAGEMENT

Building up to a manageable contract

Paul Cheeseright follows the machinations involved in finding tenants for a property

Attached cases were snapped open, papers spread on the boardroom table, coffee cups filled. The time: three in the afternoon of January 4. "We bought it 56 minutes ago," said Neil Webster of Reinhold, looking over his shoulder. The "it" is 20 Bedfordbury, a five-storey office building in Covent Garden, part of London's West End.

This is the story of the search for tenants, the leasing of the building. How many chapters there will be, how long the leasing will take, these are questions to which there is no immediate answer. The facts are, on the one hand, that the building is brand new, Reinhold, having bought it from the developers, Argent Estates, wants to lease it to a variety of tenants, floor-by-floor; and, on the other hand, the market is not what it was — no longer do potential occupants come knocking on the door begging for space.

The prologue of the story is the push by Swedish investors, freed from exchange controls, into the London property market. Reinhold — a Swedish company — has set up another called GLP (Greater London Properties), in which Enskilda Securities and a variety of Swedish private investors have stakes. GLP over the last year has bought five properties, of which 20 Bedfordbury is deemed the jewel in the crown.

Webster manages these properties. And he has a good deal at stake with 20 Bedfordbury. It cost £15.5m and the sooner he can lease it, the sooner the investors can start obtaining a return on their money. His first job, then, was to find somebody to find the tenants. At this stage enter the chartered surveyors: de Morgan had been acting for Argent. Cheeseright had introduced Reinhold to Bedfordbury in the first place. Both were asked to make presentations on how they would go about leasing the building. Satisfied, Webster looked no further and asked the two practices to work together.

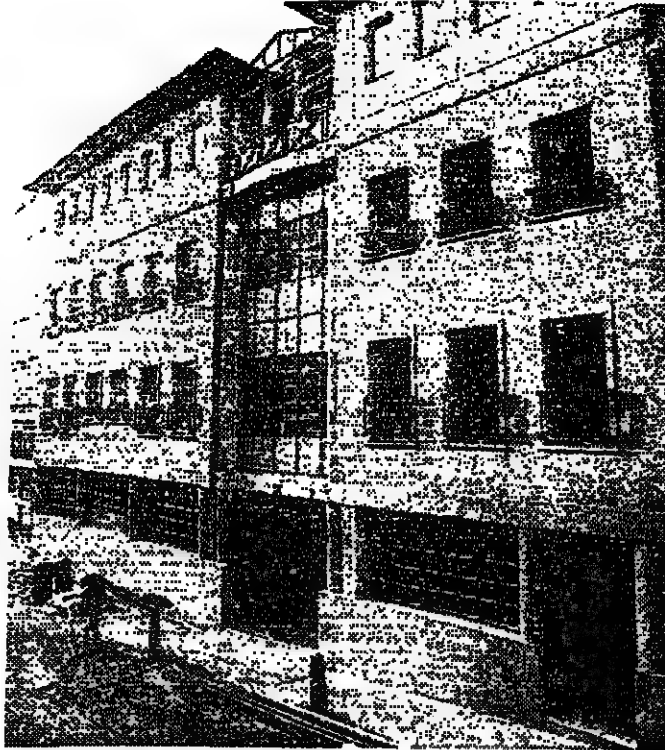


For Cheeseright and de Morgan, it was business worth having. Between them they receive the standard fee of 15 per cent of the first year's rent. As the building has a net area of 24,000 square feet and is going on to the leasing market at more than £50 a square foot, the two surveyors could split fees of over £180,000.

Each is putting two people on the job — Simon Garfield and Mark Pile for Cheeseright, and Christopher Boardman and Mark Evans for de Morgan. A young team. When Webster sat down with the newly recruited team on January 4, all were under 35. He wanted them to be "fairly youthful", as he put it. "You need some zip for marketing."

What they are marketing is unusual in two respects. The Swedish investors want a variety of tenants. Any offer from one company to take the whole of 20 Bedfordbury would have to go to the GLP board. So GLP is preparing actively to manage the building. It will not be sitting back as the rent collector for one tenant.

On top of that, GLP is not following the standard route favoured by property-owning British institutions of seeking tenancies of 25 years with upwards-only rent reviews every five years. Cheeseright and de Morgan will be offering 12-year leases with reviews every three years, but would be prepared to consider a lease of eight years with a review half way, a lease of six years with a review after three, or even a straight three year lease.



On January 4 there was some anxiety about how to present this when advertising the building. "Flexible terms" was one way. "Am I being a bit cynical in saying people will think flexible terms means that the market is going down?" asked Garfield. The chosen formula is flexible leasing.

If this distinguishes 20 Bedfordbury from some of its competitors, then the style of marketing seems strictly orthodox: the brochure, the newspaper advertisements, the mailing, the telephoning, and the reception held for other surveyors. The reception marks the traditional launch of a marketing campaign for a building, designed to introduce it to other firms of surveyors so that, if they choose, they can alert their clients seeking space.

Oracle Advertising started work on the brochure before Christmas with the idea of having it available by January 18. Peter Godfrey of Oracle came in on the 4th with his drafts and designs. And on that occasion and in a subsequent meeting a week later, much of the talk was about the minutiae of the marketing tools.

Calculators came out to translate square feet to square metres for the listing of the floor sizes in the brochure and advertisements. "Should the figures be rounded up or down or neither?"

"The middle fold of the brochure — is it saying anything?" "Can you make the title 'Floor Areas bold?' By January 10, Godfrey was still on track to meet his deadline of the 19th an exercise costing around £15,000. He had been under pressure from the start. "I dangled him a carrot about another job," smiled Webster. But by this time thoughts were running away from typographical niceties to the agents' boards outside the building, the reception, printing the invitations, debating the merits of a harpist — "I think we do it properly and go for the champagne."

The estimate for the food and drink at the reception, due to be held on January 25, from Gorgeous Gourmets was £3,918 but after that the work really starts. Cheeseright and de Morgan have been trying to draw up lists of companies which need between 4500 and 5000 square feet of space, which might need to be in Covent Garden or might be induced to find it necessary to be there.

It is a district favoured by professional companies and one has started to nibble. St Quentin, another firm of surveyors, has on its books some commodity brokers looking for space. Could this be, Cheeseright and de Morgan are asking, the first tenant?

Further articles will follow the next stages of negotiation.

Du Pont in Europe

Marketing higher value niches

Peter Marsh explains that the chemical group's restructuring is customer-led

David Williamson has a fresh, almost self-deprecating way of discussing how the managers he is in charge of should approach their jobs. He says that people in their position should not always take too much notice of the boss.

"Instead of looking at the guy at the top of the pyramid as the god that you've got to please, you've got to look at the customer and be mindful of what he wants."

An easy-going Scot, Williamson recently took over as head of the international division of Du Pont, the US chemical and energy giant. That puts him in charge of \$4.5bn a year worth of chemicals sales in Europe, the Middle East and Africa — most of which comes from Western Europe.

Williamson, 53, who is a chemical engineer by training and joined Du Pont 26 years ago, is the first non-American to be in charge of Du Pont in Europe, where it has operated from a local rather than a US base since 1988.

Geneva-based, Williamson projects an outward-looking, market-oriented image which is in contrast to the stereotype of the Du Pont manager of the past — obsessed with company bureaucracy and with doing things "the Du Pont way". His selection fits in with the general changes taking place at Du Pont, one of the world's five biggest chemical companies with annual sales of \$33bn, which appears to be trying to shake off several years of laggardly growth in an effort to get to grips with the challenge of the 1990s markets.

To some degree Williamson's priorities and thoughts fit in with those of many other top executives in the chemicals industry as a whole. The business went through a severe depression in the early 1980s but has climbed out unexpectedly well in the past five years. The industry as a whole has done this by pruning back on older, commodity-type materials which, helped by the capacity cutbacks and good demand, have seen hefty price rises in recent years — and also by emphasising relatively new, research-based products where attention to marketing is much more important.

Du Pont, both in Europe and elsewhere, has followed this trend more than most. It has cut down greatly in big selling commodity materials in fields such as bulk plastics while putting more emphasis on higher-value products in electronic materials, paints, engineering plastics and imaging and medical equipment.

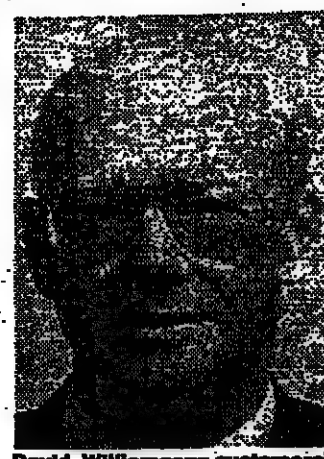
These last areas, according to much of the received wisdom in the chemicals industry, are linked to higher growth niches of the world economy and are also less likely to be affected by any economic downturn of the kind that many in the sector reckon will hit home in the next five years. Williamson, who has worked his way up largely through Du Pont's European operations in a variety of marketing jobs but also for the company in the US, says the strategy of targeting the higher value end of the industry has been working for Du Pont particularly well in Europe.

"Our growth rate in Europe has been running at 10 per cent a year, much higher than for Du Pont as a whole. There is no reason why we should not double our size (in Europe) over the next six or seven years to sales of about \$8m a year."

A key to the Du Pont approach in Europe, says Williamson, is an organisational structure which stresses the different customer segments to which products are sold rather than regional or product divisions.

For legal and taxation reasons, Du Pont has individual companies in different parts of Europe but to a large degree the company operates on a pan-European level. "We have been running along with the 1982 concept for some time," he says, "and so have many of our customers."

Taking different product groups, in areas such as polymers, fibres, agrochemicals and medical equipment, Du Pont has rearranged the management structure to link up individual businesses which have aspects in common in terms either of marketing or research operations. This has led to the creation of broad business groups which cover a variety of product areas. Thus



David Williamson: customers' health incredibly important

there is a general automotive marketing group which involves representatives from product divisions concerned with fibres (used in products like car seats) and also with engineering plastics which can be used in body and engine components.

Something similar happens with an electronics marketing group which acts as a focus for a number of product areas, including chemicals for semiconductor fabrication and optical materials, on the needs of a specific group of customers. "We (at the centre of Du Pont) can't act simply as a holding company," says Williamson. "We have to get nearer to our customers and look at things from their point of view; their health is incredibly important to us."

Williamson says that as Du Pont has built up its European activities — starting from its first European head office, set up in Britain 33 years ago — it has followed the route of many multinationals by increasingly putting local people higher up the hierarchy. "In the early 1980s most of the senior staff at departmental level in our European organisation were European rather than American. You can view my appointment as part of this general evolution."

There is another factor at work, Williamson believes. This is to do with higher respect by American managers of European competence in management and business generally than was the case in the

early 1980s. "Looking at the world from Du Pont's headquarters (in Wilmington, Delaware) I think I can detect an increased admiration and confidence in European capabilities compared with a few years ago."

There had been a considerable fear from the perspective of the American manager that European industry was really lagging behind. You don't find that any more. Americans now look at Europe and see centres for excellence in many areas. That is not necessarily just in the product areas that we sell in ourselves but in the fields related to Du Pont's customers — telecommunications, the automotive industry, engineering, printing for instance.

Besides moving closer to its customers, Williamson thinks that Du Pont — and much of the rest of the chemicals industry — will need to do much more to move closer to the public as a whole if it is to thrive over the next few years. He stresses the need for better communications generally, especially in the field of environmental issues in which the chemicals sector has a generally extremely poor record.

"The chemicals industry has a bad reputation with regard to the environment," Williamson admits. "Society has reacted, or perhaps over-reacted, negatively. In some ways we deserve it. Think of the incidents connected with the chemicals industry — Love Canal, Bhopal and so on — they are horrible words and we hate to use them."

Overall, however, he says the industry is badly understood. "For much of our reputation we have to blame ourselves as an industry. We haven't done enough to say how well we are doing economically and to talk about some of the good things we do. Take crop protection chemicals, for instance, or packaging. It's better to eat protected crops — even if it means spraying on chemicals — rather than rotting crops. It's better to ship products wrapped in plastic than to leave them unpackaged. We have to do better in communicating these things to people. Public concern about chemicals is often based on ignorance."

BARRIERS

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— John Redwood, Corporate Affairs Minister

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or write to her at:

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FINANCIAL TIMES

QATAR

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Mrs Laurette Lecomte-Peacock on 01-873 3515

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FINANCIAL TIMES

Reuters and Price Waterhouse announce the Treasurer's Workshop Courses

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I would like to receive more information on the Treasurer's Workshop. Please complete the coupon below or attach your business card and post to Samantha Webb, The Treasurer's Workshop, The Reuter Training Centre, 85 Fleet Street, London EC4P 4AJ or telephone 01-250 1122 for details of the course.

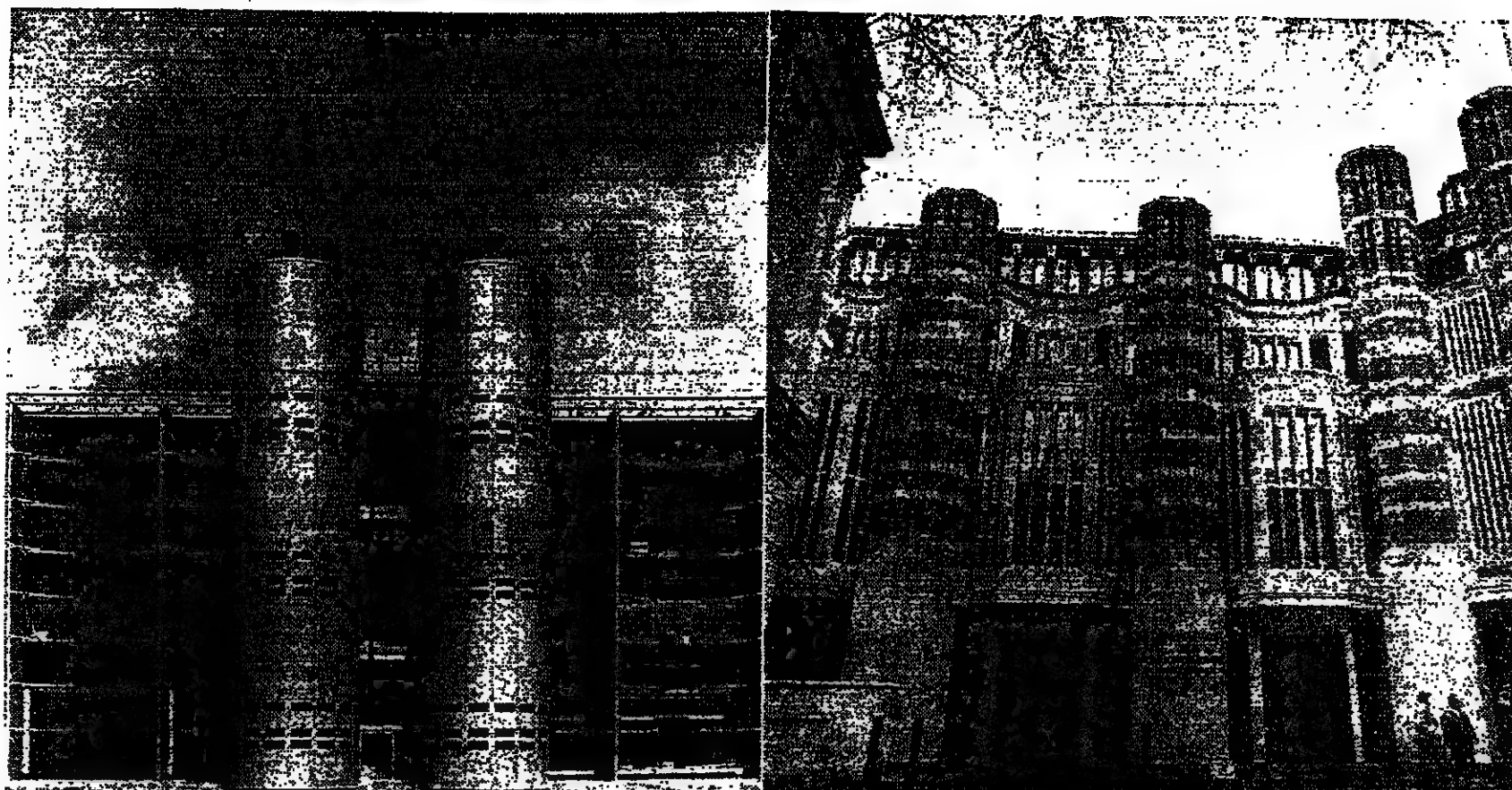
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ARTS



There is room for more than one architectural style today: pristine towers at the FT's printing works in Docklands or reviving the shades of Whitehall's history at the new Department of Health

ARCHITECTURE

Buildings speak louder than words

The RIBA awards went for the soft option this year. Colin Amery reports

I thought for a moment I was back in the 1960s when I heard that this year the President of the Royal Institute of British Architects had given his special award to the Nelson Mandela Community Primary School designed by the Birmingham City Architects Department. Had there suddenly been a revival of public sector building? Had the old GLC architects department moved to the Midlands?

It is a new policy of the Royal Institute to single out one building from the 16 national RIBA award winners as "the building of the year." Presumably it is this building that will receive the most publicity and will highlight for the public the way that architects are thinking.

I am afraid that the President took the soft option. In a year when there were some serious and challenging good new buildings the RIBA thought it was safer to commend a building that only does what it should. I was fascinated to read that what jury thought was remarkable about the new school is "its total dedication to the needs of its users: the children of the neighbourhood, their parents and teachers." Surely that is the very least it should be.

The Nelson Mandela School

looks as though it works well as a series of flexible spaces divided up by sliding screens and doors. It has a laminated timber roof structure and plenty of visible timber inside. It is clearly user-friendly and architecturally completely unremarkable. In the week when something called The Campaign for Architects is moving into a higher gear to persuade the public that architects are as lovable as teddy bears, the President's choice just seems sentimental and obvious.

The Campaign for Architecture has been running full page advertisements in a daily newspaper and presumably sees itself as an antidote to the debate about architecture which architects mistakenly see as a campaign against architects. I cannot for the life of me see what good a photograph of a tower block being blown up over the slogan "Funky towers can do the profession. And what about this curious ambiguous pair of statements: 'As architects we have a professional responsibility to act in the best interests of our clients. Our recommendations must be impartial'."

Both the President's choice of an unexceptional little school and the confusing nature of the new advertising campaign do little for architecture. Good new buildings are

the best form of public relations. Of the 16 regionally selected winners of this year's RIBA awards there are some excellent and elegant examples of the best of British architecture. It is worth listing them.

The conversion of the old Billingsgate Fish Market in the City of London into the headquarters of the American Bank, Citycorp by architect Richard Rogers is indeed stylishly done.

The architect has cleverly inserted mezzanine floors in a way that visually enhances the old market hall. As an example of the potential for reuse of older buildings in the City, Richard Rogers's work is outstanding. The worrying element is that this beautiful conversion has never been occupied by Citycorp. No one seems very willing to explain why.

Many awards have been given to the Courts of Justice in Turin designed by Ettore Sottsass and David Shaw. This was the winner of the Financial Times own Architecture Award last year, and it is interesting to observe that the judges for the RIBA also concentrate on the careful siting of the courts at the top of the town in such a way that they make a handsome contribution to the skyline.

Last week it was also announced that Evans and Shalev have been selected as the architects for a new art gallery in St. Ives, Cornwall to house the Tate Gallery's collection of the paintings of the St. Ives school. The architects clearly demonstrated their ability to design a gallery that will take the maximum advantage of the views that inspired the painters, and yet fit in to a tightly knit pattern of steep slopes and streets.

It was agreeable for this newspaper's own new printing works in London's Docklands designed by Nicholas Grimshaw to be given an RIBA award. The judges were full of praise for this striking building, which has become a landmark. "If ever evidence was needed that a single inspired architectural idea can produce many added dimensions to what could have been a purely functional solution, the Financial Times printing works must surely provide that evidence," said the judges' report.

The inclusion of the new Richmond House in Whitehall, designed for the Department of Health and Social Security by William Whitfield and the PSA, demonstrates just how catholic architectural tastes are. This brick and stone, towered and mullioned block by the Canotaph is one of the most unusual new buildings in London. It seems to express in its

design both the Victorian confidence of Norman Shaw's neighbouring Scotland Yard and by association evokes the presence of the old Tudor palace of Whitehall.

Michael Hopkins is clearly one of the best architects around and his much praised David Mellor Factory in the Derbyshire Peak National Park is rightly held up as a remarkably sensitive model for a small industrial building in the countryside. It is special, too, because although it is an entirely contemporary structure it is not ashamed to use natural and local materials.

Hopkins is also commended for his Solid State Logic research and development building near Oxford, a simple and pristine design.

James Stirling's adaptation of part of the Albert Dock into the Tate Gallery Liverpool is rightly praised for the care which the architect took to adapt the splendid dock warehouses into a gallery.

This year's award winners would add up to a very enjoyable and positive tour of new architecture in Britain. Things are encouragingly catholic and varied and reflect a pluralism from which many blooms may flower. Buildings speak louder than words and this year the President and the campaigners have seriously undersold the profession.

Claire Armitstead

Bent

LYTTLETON THEATRE

Martin Sherman's *Bent* uncoiled and sprang on the world a decade ago. It combined the horrors of the Third Reich with a portrayal of homosexual life - not merely life but love, and showed that love triumphs.

The impact was enormous, as it was in the play's subsequent productions around the world. Last Friday's audience at the National was full of those who remembered the original for extra-theatrical reasons (they discovered they were not alone, they found dignity, they came out). The question remained: would the play live up to its symbolic status.

It opens unpromisingly. These gay (in both old and new senses) young demons of pre-war Berlin's demi-monde coming to after a binge conjure up nothing so much as a hunger-morning after in Earl's Court. A partisan audience enjoys the campy, which makes the violent entrance of the black-uniformed SS seem uncomfortably like a continuation of the fantasy, not too far from the erotic iconography that some find stimulating. The spectacle of a young man having his throat cut on stage is hardly grand guignol. And the immediate switch to a male transvestite huskily hymning the streets of Berlin plunges us into familiar cliché.

So far Sean Mathias' produc-

tion fails to blend recognisably jokey camp with unimaginable nightmare. By the interval, after the captured Max has obligingly beaten his tortured male lover to order and proved his normality by embracing the warm corpse of a 13-year-old girl before the guards (monosyllabic monstrous robots), the mixture has, dramatically speaking, curdled rather than jelled.

In Dachaui the production, and Michael Vale's semi-abstract set lit by Ben Ormerod, come into their own. A blood-red dado swirls above a landscape of Beckett-like blankness. When touched the electric fence crackles and sparks frighteningly. The pile of rocks to be constantly carried from one side of the stage to the other resonates with echoes of Exon and purgatory.

Here the play too comes into its own as a study of the salvation of a soul. After doing a deal with the guards Max wears a yellow star instead of the despised pink triangle ("It's better to be a Jew than a queer in this place"). He is obsessed with survival, and even after wangling companionship with the homosexual Horst, he refuses to acknowledge the truth to the authorities.

The famous scene when the two men, standing to attention a yard apart and facing the audience, talk through, *sotto voce*, the act of love under the

eyes of the guards, is more harrowing, erotic and moving than I remember from the first production - perhaps, paradoxically, because it is more lightened with humour. Ian McKellen, the first Max, then played opposite Tom Bell, a forceful actor with a strong personality, while now his colleague is Michael Cashman, less intrusive in style. The second - in retrospect overshadowed - scene of remote-control love, as it were, in which they imagine only holding, touching and protecting one another, is infinitely more powerful than I remember it.

McKellen is a generous actor in the Richardson rather than the Olivier mould. No mere technician, he bases his work on emotional integrity and personal commitment. Cashman is more passive, initially colourless, but this makes his hopeless, stooped assumption of a centuries-old burden, and the small act of rebellion that ends in death, all the more moving. A good supporting cast includes the inimitable Robert Eddison, the elegant elderly invert, Uncle Freddie, who, surreptitiously meeting his fugitive nephew on the run, intones such lines as "Do something innocent - feed the pigeons!" like Hermione Gillingham crooning to the cello.

Martin Hoyle



Ian McKellen and Michael Cashman

Golgo

Royal Court

The third Howard Barker play to arrive in London in as many weeks is a short (for Barker, very short) piece which clarifies both the strengths and the weaknesses of this tantalising writer. Subtitled *Sermons on Pain and Privilege*, *Golgo* is structured around a brilliant elision of the last hours of the French nobility and the final agonies of Christ.

Cooled up in a room with the mob baying outside, the assembled aristocrats while away their time re-enacting the crucifixion. The one commoner of the play, a surly maid-servant (Jane Ber-

fish), moves from compulsive attempts to scrub all traces of her masters from the room to showing them from books full of pages torn from library books, as the edifices of their privilege come tumbling down.

The point is not that the French Revolution is analogous with the death of Christ. On the contrary, it is viewed by Barker's characters as the apocalyptic sequel to it - the end of a dead culture still immersed in the formal structures of Christianity. None of the aristocrats can remember going to church, they have long lost touch with the capacity

to believe or to love, but they cleave to its structures and its imagery as a form of self-aggrandisement, capable of protecting them against the future.

It is a very neat, very seductive scenario, which is realised with a vivid understatement in Nicholas Le Prevost's productions for the Leicester Haymarket and the Barkerite Wrestling School. However, once one has grasped the central concept - which always, with Barker's plays, creates a glow of intellectual satisfaction - it is hard to see any real progression. The interchanges that follow are variations on a

singles theme, which are given the illusion of significance by Barker's characteristic sententiousness (in the published text, important lines are picked out in bold type).

One is left, as so often with the work of this playwright, basking in the language, the imagery and the enactment of it by a first class cast led with range and intensity by Roger Frost's Wharfedale, self-appointed Christ, lunatic and executioner, but denied the satisfaction of a fully finished product.

Claire Armitstead

Royal Exchange new season

The Royal Exchange Theatre, Manchester, opens its season on February 8 with *A Winter's Tale*, which marks the debut of the company's artistic director Phyllida Lloyd.

The Crucible by Arthur Miller, will open in the main house on March 22, followed by Sheridan's *The School for Scandal* on May 10. *She's in Your Hands*, a new adaptation and translation of Feydeau's *Occupe-toi d'Amélie*, will open on June 28. While *The Count of Monte Cristo* will open at the Palace Theatre, Manchester.

In Pursuit of the English

LYRIC STUDIO, HAMMERSMITH

It is post-war London where, like Muriel Spark's girls of slender means, "all the nice people were poor," where a visiting American like S.J. Perelman could note the freshness, hope and gaiety of the natives in their ruined city and compare them favourably with sullen, post-Occupation Paris in its plump cynicism. Doris Lessing, another recent arrival, found xenophobia, brutality, stupidity and tribal codes of honour - according to the novel that now takes the stage in a adaptation by yet another newcomer, the Canadian Katie Campbell.

The inaugural production by a new company, Cut and Thrust, promises well. Melanie Jessop's Doris, quizzical, bewildered, amused, arrives in a swirl of fog amidst a frieze of jitterbugging couples, an image not too far removed from one of the outer circles of Dante's hell.

The bustling opening suggests individuals each locked in Dickensian self-sufficiency; and there is a Dickensian ring to The Case that obsesses Doris's landlords.

These are Dan, a tough ex-serviceman, and Flo, garishly gregarious and uxorious in the sensual heat that Stella Reid presents, miraculously dishing up rations with the flair of her Italian grandmother. The Case is directed at their sitting tenants, an old couple whom we never meet, subjected to Rachmaninoff tactics.

The family is completed by Flo's adolescent son (Ben Porter), desperately flexing non-existent muscles and hungrily eyeing the nearest girl.

Present and incorrect are the pathological liar, con-man and sadist Bobby ("it occurred to me he was what they called a spiv," says Doris in the first-person narrative that is mixed in with the dialogue); the tart Miss Privet (Celia Marie in a fox-fur stole) who sometimes passes for French as Prevey ("Oo la la, l'aimé, mon amour - easy isn't it?"); and shop assistant

Rose. The last is the most complex character in the play, and Pippa Guard beautifully expresses her prickliness, grudgingly kind heart, rough philosophy, painfully articulate intelligence and code of honour.

The play's strength is its observation of this society's taboos and rules - you never interfere in families, for instance, despite brutality and unfairness. The characters blossom from the Dickensian type. In fact, into rounded beings. Even the savage Dan is allowed a certain justification, or at least explanation, in his bitter feeling of being passed over as an ex-fighting man.

"The recent war is omnipresent in the hopes for the 'War Damage,' expected to mend the damaged house (the man from the War Damage Office turns out to be an embryo Alf Garnett); in the bombed walls of Howard Burden's set; and in the nostalgia that even young Rose feels for the late conflict: 'Then people liked each other. They don't now, do they? And that's the truth.' And present in the sourness of being somehow cheated.

As Rose says, "newspapers are always saying how everything's changing. My mum worked all her life and I'm no better off than she was." And to Rose goes the last word. As the old couple are evicted, carted off to God knows where, Flo can afford to wax sentimental. "We should all be kind to one another" and the world would be a better place. "A likely story," says the girl suspiciously.

Matthew Francis directs a highly promising company debut. Next in the season framing the war: Patrick Hamilton's *Hangover Square* adapted by Fidelity Morgan. There will be the usual complaints that British theatre is too word-bound, too literary; but it does do it rather well.

Martin Hoyle

ARTS GUIDE

MUSIC

London

Chiffinghiam Quartet opens Bohemian Rhapsody, Haydn, Dvořák, Mahler (Tues), Wigmore Hall (555 2141).

Paris

Cecilia Gasdia recital (Mon) Salle Gaveau (45632030). Gidon Kremer (violin) Valery Afanasyev (piano) Schubert (Tue) Salle Pleyel (45045413). Ensemble Orchestral de Paris conducted by Emmanuel Krivine, Jean-Jacques Kantorow (violin): Lutosławski, Mendelssohn, Haydn (Tue), Salle Pleyel (45638873). Orchestre de Paris conducted by Semyon Bychkov, with Yo Ma (cello), Tchaikovsky, Shostakovich (Wed, Thur), Salle Pleyel (45638873). Orchestre Philharmonique de Radio France conducted by M. Scharoun/M. Dabert, Delius, Grieg and Nielsen (Thur), Théâtre des Champs-Élysées (47236337).

Brussels

Hugues Mavet (guitar) plays Villa-Lobos, Bach, Giuliani, Sor, Todeo (Thur), Royal Music Conservatory. Hagen String Quartet plays Brahms, Mozart, Webern (Tues), Palais des Beaux-Arts. Belgian National Orchestra conducted by Jean Rully with Augustin Leon Ara (violin) performs Chausson, Milhaud and Rostropovich, Royal Music Conservatory (Wed).

Frankfurt

Frankfurt's Radio Orchestra under Pinchas Zukerman, who also plays violin with works by Beethoven (Thurs), Alte Oper.

Cologne

Daniel Barenboim piano recital with works by Beethoven and Mozart (Thurs), Philharmonie.

Berlin

Berlin Philharmonic Orchestra, conducted by Seiji Ozawa. Brahms and Prokofiev (Tues, Wed), Philharmonie.

Amsterdam

Netherlands Philharmonic and Isabelle van Keulen (violin) conducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Mon, Wed) Concertgebouw (718 345). Guarneri Quartet, Haydn, Lutosławski, Schumann (Thur), Concertgebouw (718 345).

Utrecht

Netherlands Philharmonic and Isabelle van Keulen (violin) conducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Tue, Thur), Vredenburg (31 45 44). Scharoun Ensemble, Hague Percussion Group and vocal soloists, Reinbert de Leeuw conducting, Andriessen, Reich (Wed), Vredenburg (31 45 44).

Madrid

Uto Ughi (violin), Elena Martínez (piano), Turini, Bach, Schumann (Tues), Auditorio Nacional de Música (337 01 00). Jorg Demus (piano), Bach, Mozart, Beethoven, Schumann and Schubert (Thur), Auditorio Nacional de Música (337 01 00). Trio de Madrid, Haydn, Dvořák, Brahms (Thur), Auditorio Nacional de Música (337 01 00).

Vienna

Austrian State Television and Radio Orchestra, conducted by Erwin Ortner. Brahms, Bruckner, Cerna, Ligeti, Schoenberg (Mon), Musikverein. Wiener Schubert Trio, Mozart, Schumann, Muskatel (Tues), Hans Kann (piano), Mozart (Wed) Konzerthaus. Haydn Trio, Schubert, Kreisler, Johann Strauss (Thur), Konzerthaus.

Milan

Maurizio Pollini (piano), Chopin, Berg, Schoenberg and Scavinsky (Mon), Teatro Alla Scala (50.91.28).

Venice

Maurizio Pollini (piano), Schumann and Chopin (Thur), Teatro la Fenice (5210151).

Rome

Ulf Schirmer conducting Strauss and Brahms with Miriam Fried (violin) (until Tues), Auditorium in Via Della Conciliazione (5541044). Samuel Elmer (bass) accompanied by John Fischer (Wed), Teatro Olimpico (583304).

January 19-25

New York

Philharmonia Orchestra conducted by Giuseppe Sinopoli with June Anderson (soprano), Berio, Mahler (Wed). Illinois Chamber Orchestra. Beethoven, Schubert, Stravinsky (Thur), Carnegie Hall (247 7800). New York Philharmonic, Erich Leinsdorf conducting, Liszt, Stravinsky, Poulenc, Offenbach (Thur), Avery Fisher Hall (674 6770).

Washington

National Symphony Orchestra. Mstislav Rostropovich conducting, Shostakovich, Albert (Tue); Mstislav Rostropovich conducting, Hagen Hardenberger (trumpet), Barber, Tansberg, Salinas (Thur), Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra, Sir Georg Solti conducting. Corigliano, Beethoven (Tue); Sir Georg Solti conducting, Bach programme (Thur), Orchestra Hall (453 5555).

Tokyo

Berlin Philharmonische Solisten, Bach, Beethoven, Mozart, Sun-tory Hall (Mon) (289 9995). Classical Japanese Music, Koto, Shamisen, National Theatre, small hall (Tues) (285 7411). Yamasa Nippon Symphony Orchestra, conducted by Ken Takaseki, Berlioz, Lalo, Dvořák, Sun-tory Hall (Wed) (270 6191). Shinsei Nihon Symphony Orchestra, conducted by Shigeo Genda, with Shinobu Satoh (soprano), Ravel, J. Strauss, Sun-tory Hall (Thur) (985 4338).

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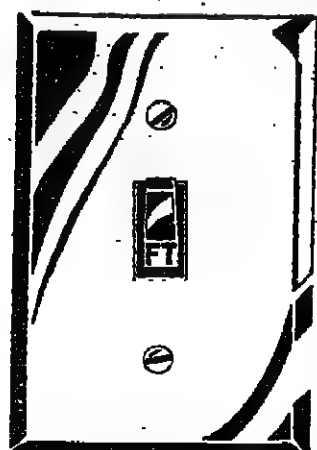
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Monday January 22 1990

Bleak battle
against drugs

WHEN PRESIDENT Bush announced his war against the illegal drugs trade and narcotics abuse last year even his most enthusiastic supporters recognised it would be a long haul. The enormity of the task is now apparent. There is little to encourage the view that even in the long term the existing strategies will prove effective.

The most encouraging development has been the tightening of legislation in the main consuming countries directly attacking the traffickers' profits. As a result it is becoming increasingly difficult to insulate their huge assets against seizure by the courts or rely upon bank secrecy and offshore financial centres to protect "narcodollars".

More generally, international awareness of the scope of the problems caused by the drugs trade has finally begun to sink home, over and beyond what is happening in the US itself. The plight of the Colombian state, under virtual siege from the drug barons, has underlined the extent to which a country can be held to ransom by a mafia. Almost 80 nations have now signed the 1988 United Nations Convention on Narcotics, the most comprehensive international framework to date for multilateral co-operation. Although too many of the countries in the front line of the fight against drugs are torn between bilateral and multilateral initiatives, the level of co-operation has improved. This has been reflected in the sharp increase in the quantities of drugs seized.

One jump ahead

Yet while drug seizures last year reached unprecedented proportions, the supply of narcotics was little affected and street prices were unchanged in the main markets. As the latest annual report of the UN's Narcotics Control Board states so bleakly, drug production, particularly cocaine and opium, was greater than ever. The traffickers remain one jump ahead in their ability to diversify sources of production and alter supply routes. Crop eradication programmes continue to be hampered by the political sensitivities to exter-

nal interference, the inability to provide adequate alternative incomes for peasant farmers and, most recently, by fears of ecological damage. At the consumer end, meanwhile, the amount of casual drug taking appears to be declining in the US, yet there is no corresponding drop in general drug abuse or drug-related violence.

Costly confrontation

Although the greatest quantities of illicit drugs come from South East Asia's Golden Triangle and from Pakistan/Afghanistan, the political benchmark for success focuses on the curbing of the Andean cocaine trade, specifically in Colombia, the main laboratory. There the Barco government, with less than six months left in office, is at the limits of its ability to continue a costly confrontation with the cocaine cartels. Influential voices in the church and among the Colombian political parties are calling for a dialogue with the cartels. Such a move would completely undermine the credibility of President Bush's anti-drug campaign. However, it is hard to see how the intensity of the anti-drug campaign in the Andean producers can be sustained against the kind of lengthy timetable necessary for reducing demand in the US and elsewhere.

The logic of the international community's attack on the two ends of demand and supply is to follow it through, until it either succeeds or is manifestly proven to be inadequate. Until now, its protagonists could still claim that the approach has not been fairly tested, because of the modest resources devoted to co-operation, interdiction, crop substitution and anti-drug education.

Little time is left, perhaps not much more than a year, to demonstrate the validity of existing policies. As it is the curbing of drugs - one of the major political and social issues for the new decade - promises to be an impossible challenge. If so, this will open wide the fraught debate on the alternative of decriminalisation, which at the moment so alarms governments, politicians and international institutions like the UN.

The fear of
recession

WILL THE UK have a recession? There is much anxious attention to this question but it is not really the point, or at least it is only a part of it. The more fundamental issue is whether there needs to be a recession. The answer is, unhappily, quite simple. If the Government wishes to get the long-term rate of inflation in the economy back down to around 4 per cent, let alone rates consistent with membership of the European Monetary System at a stable exchange rate, something close to a recession is inevitable.

This is true, even though pay performance has, in some respects, been very good. Over a little more than three years the underlying rate of growth of earnings has risen by some 1½ percentage points. Yet over the same period the seasonally adjusted rate of unemployment has almost halved, falling from a peak of 11.3 per cent to 5.3 per cent in December 1989. The reforms of the trade unions, coupled with the lingering effect of the 1978-81 recession, appear to have had enormous and valuable effects on wage behaviour over time. In 1989, however, overtime tended to decline, thus eliminating what was a relatively benign source of earnings growth from the point of view of underlying costs.

Upward drift

In the second place, the level of settlements is continuing to rise. According to Incomes Data Services, pay settlements are bunched at between 7½ and 10 per cent in January 1990, 1 to 3 percentage points higher than a year ago. With the rejection by Ford workers of an offer of 10.2 per cent for the first year of their deal, followed by 8 per cent in the second, settlements are likely to continue their upward drift for some time to come.

From this point of view, the fact that unemployment fell by a seasonally adjusted 17,000 in the month to 14 December 1989 is little help. The rate of decline in unemployment is diminishing, but it is still in the wrong direction if inflation

is to be lowered once more. Last but not least, the spiral started at far too high a level. Before their increase of the past three years, average earnings in the UK were already rising at around 7-8 per cent a year, roughly double the rate in other major developed countries.

Unit costs rise

When the economy was expanding strongly, the effects of the relatively rapid rise in earnings on international competitiveness were offset by the good productivity performance in manufacturing. This is no longer the case. The rise in the unit costs of manufacturing has moved from around 1 per cent a year in 1987 to 5 per cent or more in late 1989.

In short, the British economy started in the wrong place and has moved still further in the wrong direction over the past three years. To remedy both these problems the annual growth of earnings will have to be lowered, probably by some 4-5 percentage points. There is no chance that this can be done without a marked rise in unemployment.

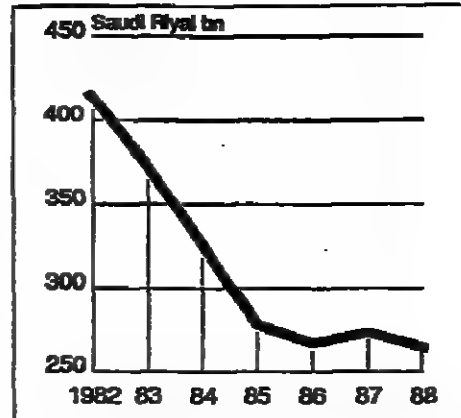
The severity of that recession will be largely determined by the credibility of the Government and the wisdom of the wage bargainers. Both look inadequate. It is beginning to look increasingly clear, for example, that the Chancellor made a grave error in not raising interest rates in response to the weakness of sterling when he took over. It seems equally clear that short-termism is alive and well in the labour market.

The choice is quite stark. The Government may, by default, no doubt - abandon the effort to get inflation decisively down in fear of the political consequences of a second round of rising unemployment. In this case, the UK of the 1990s will have a higher rate of underlying inflation and a weaker currency than virtually all its peers. Alternatively, determined efforts will be made to lower underlying inflation, in which case a considerable rise in unemployment in the short run is unavoidable. It would be pleasant to believe that there is some reform in wage bargaining or some pay policy that will avoid the dilemma, but for the UK at least there is not.

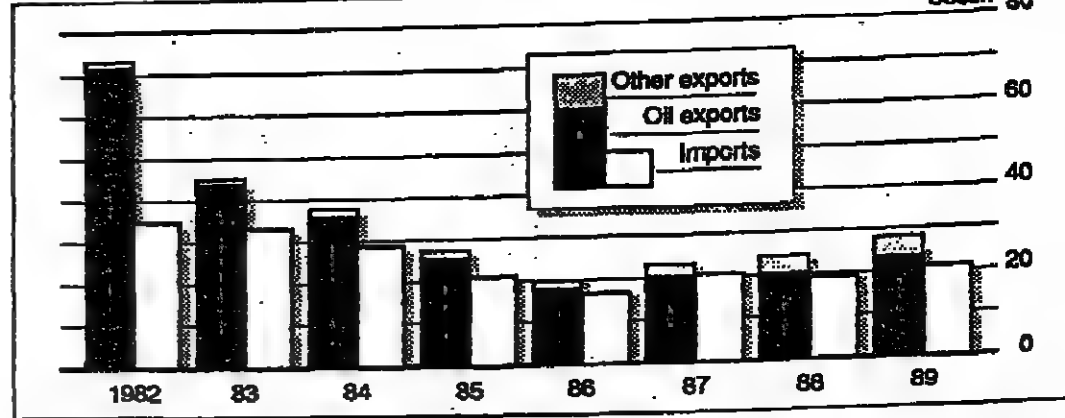
SAUDI ARABIA



GDP Current prices



Trade



Andrew Gowers examines the reawakening of Saudi Arabia

Preparing a return
to oil power

King Fahd bin Abdul Aziz took a decision last year of enormous potential significance for Saudi Arabia and of more than passing importance for the world in the 1990s.

With customary discretion, the monarch - or Custodian of the Two Holy Mosques, as he prefers to be known these days - asked Saudi Aramco, the newly-renamed national oil company, to begin preparations for a huge investment programme with the aim of boosting Saudi crude output capacity to 10m barrels a day (b/d), a level not seen since the oil boom ended in the early 1980s.

The project, which entails capital spending of some \$15bn on demolishing existing facilities and drilling new wells in the next six or seven years, is the clearest possible signal of the Kingdom's state of mind at the start of the 1990s.

Gradually, but with increasing sureness of step, Saudi Arabia is putting the gloom of the last few years behind it. The end of fighting in the Gulf war has freed its rulers from an obsessive preoccupation with events on their doorstep. And the economy is moving steadily out of a seven-year recession into what appears to be a period of sustained, if unspectacular, growth.

In short, the Kingdom, location of 35 per cent of the world's proven oil reserves, is preparing itself for the moment - which cannot be too far off now - when it regains its role as the unchallenged driving force in the international energy market.

Already last year its oil revenues were up by around 20 per cent, as it pumped more than 10m b/d at prices that have so far held surprisingly firm, despite rampant quota cheating by other Opec members.

And the Saudis are once again boosting their presence in the leading consuming markets. In the US, imported oil accounts for more than 50 per cent of total oil consumption, and half of this last year came from Saudi Arabia.

This does not imply a re-run of the 1970s when the Saudis and other Arab Opec states used their muscle to drive prices through the roof; the Kingdom is too interested in preserving a long-term market for oil that it could produce at current rates for 125 years, to allow that to recur.

But what it does suggest is that Saudi Arabia will see itself as the only Opec member likely to have significant excess production capacity in the early 1990s, will be well-placed both to maintain prices on an even keel and to generate sufficient revenues to keep it in the style to which it used to be accustomed.

The signs of renewed economic activity and increased confidence, a partly fuelled by these considerations, are already apparent. Last year the Gross domestic product last year notched up the second straight year of growth, expanding by 3.2 per cent the 1988 figure and a similar amount

in 1989, according to Sheikh Hamad Sayari, governor of the Saudi Arabian Monetary Agency.

Prices on the Kingdom's fledgling stock market have seen a sustained recovery since the beginning of 1988, and real estate prices and rents have revived after declining by as much as 80 per cent since the boom.

The Government and the Saudi private sector are dusting off investment plans to capitalise on the upturn. Apart from Saudi Aramco's expansion plan, Saudi Basic Industries Corporation - the 70 per cent state-owned enterprise which has emerged as a significant exporter of basic petrochemical products in the past few years - is expected to spend between \$5bn and \$7bn on increasing its capacity and enhancing its product range in the next few years, and big spending is also planned in the oil refining industry.

What is more, private businessmen are showing greater interest than ever before in undertaking industrial investments - whether in import-substitution factories, downstream plastics plants or energy-intensive industries such as aluminium.

This does not amount to anything resembling the cornucopia of the 1970s and early 1980s; indeed, GDP is still around half the \$147.5bn it attained at the peak in 1981, and the authorities have been going out of their way to ensure that expectations do not again become inflated.

Many of the old nagging problems remain: there was much complaint last year, for example, that the Government was failing to pay its bills and, barring an unexpectedly sharp upswing in oil prices it will have problems financing a chronic budget deficit for the foreseeable future.

But the indicators do imply that Saudi Arabia has emerged from the recession in much better shape than most people had thought. With the exception of the free-booting United Arab Emirates, it can now be said to be the most dynamic economy in the Gulf, an observation that would have met with derision as recently as 18 months ago.

Equally to the point, it is also a very different country from the one that experienced the boom years. As a study of the Kingdom's private sector recently published by Business International points out, the recession was accompanied by subterranean but significant changes in Saudi business and society that are unlikely

to evaporate as the economy improves. They include:

● A radical improvement in the structure and performance of the private sector. The days of easy money are now a distant memory; recession weeded out the weaker companies and forced everybody to cut costs and focus on higher profits at a lower turnover. The fruits have been a much better calibre of management, more emphasis on planning and marketing and, in the best case, a sophisticated corporate culture that will outlive the older generation of Saudi merchants.

● We have a much better equipped group of people for business and free enterprise than in the decade of the 1970s. Sheikh Sulaiman Alayan, the investment magnate who is one of the dozens of the Saudi business community, said:

"At the peak, nobody worried about costs, but the decline taught people that they have to review their fat," agreed Dr Abdulrahman al-Zamil, the Deputy Minister of Commerce.

● A more selective, more cost-conscious, better-educated consumer

base, which is making greater use of supermarkets and service or leisure industries. The Saudi population (not including an expatriate workforce of 2m or more) is now in the region of 8m but is growing at an annual rate of up to 3.5 per cent.

● With about 0.16 per cent of the population graduating from college every year, the Kingdom's educational revolution is well advanced. As a whole, Saudis may be poorer than they were, but the young generation also has an increasing appetite for consumer goods as young married couples set up their own households rather than living with their parents.

● And Saudi businessmen increasingly are looking to markets in the other Gulf states, as tariff and other barriers between members of the station Gulf Co-operation Council (GCC) come down.

● A transformation in the economies of local industry. This stems largely

from a sharp slide in the cost of imported labour from countries like Sri Lanka and the Philippines; foreign workers in the Kingdom, who still comprise the bulk of the labour force, are these days prepared to accept wages a third or a quarter of what their predecessors demanded.

● As a result of this and other cost-cutting, some companies are now competitive enough to export - not just to the GCC but beyond. The Zamil group of companies, based in Saudi Arabia's eastern province, has sold plastic cost hangers to Japan and pre-engineered steel buildings to Malaysia in the recent past. Another enterprise, the National Factory for Can Ends, a joint venture involving Metal Box, has cornered the large Gulf market in aluminium can ends for soft drink cans and is now exporting to Europe.

● The Kingdom's total industrial exports are still very small by comparison with oil, but the mere fact of Saudi companies marketing their wares abroad at a profit (however marginal) would have been inconceivable a decade ago.

● An increasing propensity on the part of the private sector to contemplate taking risks. Saudi businessmen, like their counterparts in other Arab countries, have always been traders first and foremost, preferring quick turnover to the long wait for a return on industrial investment.

There are signs that this is beginning to change, that business people are beginning to do what the Saudi Government has long exhorted them to do: bring home some of their vast overseas assets and put them to work.

Saudis are being encouraged to invest in local production by rising protective tariffs, in addition to other incentives, such as soft government loans, that have been on offer for years. Some businessmen have set up new joint-stock companies with a view to investing in ventures such as downstream petrochemicals.

Another group of investors, led by the Alirezas, one of Jeddah's main merchant families, is planning to build a 214,000-tonne aluminium smelter in the Red Sea industrial city of Yanbu, in conjunction with foreign investors, including Pechiney of France and British Aerospace. At a cost of \$880m, this is by far the largest investment to be considered by the private sector.

A growing number of foreign companies are also looking at producing

in Saudi Arabia. Several western multinationals have already taken the plunge with a view to maximising their market share behind a tariff wall that can be as high as 20 per cent. Other companies, especially British and French ones, are having to consider joint ventures in the Kingdom as a result of government-to-government offset investment agreements linked to military contracts.

There is a gradual dissemination of a professional work ethic among Saudis. This, too, would have seemed a highly unlikely prospect a few years ago, when Saudis could count on a civil service sinecure on graduation from college or a fast buck in the property market. No longer. Government recruitment has been virtually frozen for some time; opportunities for speculation are minimal; and young Saudis are finding themselves having to knock on doors like anyone else in search of a career.

It is certainly still true by and large that Saudis will not do menial work and that they account for only a tiny proportion of employees in the private sector. But they are now prepared to accept relatively low starting salaries in the interest of acquiring relevant technical skills - suggesting that a home-grown cadre of managers eventually will take over from the still-omnipresent Westerners.

The Government, conscious of the need to create employment for the 550,000 graduates likely to hit the job market in the next five years, is applying increasing pressure on companies to "Saudi-ise" their workforce.

All this is not to say that Saudi Arabia is in the process of creating something approximating to a modern industrial economy. Government spending still accounts for 50 per cent of GDP and it is thus on state revenues that the country's economic health - as well as the fortunes of foreign businessmen there - largely depends.

Doing business there remains a tricky and time-consuming affair that involves too much around who you know and too little around who you do. Saudi commercial regulations are inadequate and liable to capricious interpretation by the Sharia (Islamic law) courts and the bureaucracy. The extended royal family has its fingers in far too much of the pie for the liking of many businessmen.

But these gripes, while frequently bothersome, are not a serious impediment to a revival of economic activity, and it would be foolish to underestimate Saudi Arabia's potential just because traditional Arabian ways of doing things still prevail.

If western companies and governments have been inclined to downgrade the Kingdom on their list of priorities in the last few years, they may find themselves paying closer attention again very soon. And when they do, they would be well advised to jettison many old assumptions.

"Saudi Arabia: Economic Recovery and the Private Sector," by Michael Field.

Archer finds
a sponsor

Jeffrey Archer arrived half an hour late at his own theatre. Even then he had to go out again several times in order to be properly photographed coming in. But you have to admit that the politician turned novelist, playwright and impresario has a knack of putting deals together.

Since 1988 Archer has had the controlling interest in the Playhouse theatre, near Charing Cross Station. And it doesn't need him to tell you that it is one of the most beautiful theatres in London. It is.

Originally known as the Royal Avenue Theatre, it staged the first West End production of a play by George Bernard Shaw, *Arms and the Man* in 1904. Mrs Patrick Campbell went on to star there and, although the subsequent history has been somewhat chequered, there have been memorable first performances: the plays of Somerset Maugham in the late 1920s and early 1930s when Gladys Cooper was the sole lessee and actress-manager.

For 26 years after 1950 the place was run by the BBC, which used it as a studio for radio shows requiring a live audience, like *The Goons* and *Hancock's Half Hour*. Both *The Beatles* and *The Rolling Stones* made of their first broadcasts from the theatre.

Then in 1975 the BBC vacated it and the history became chequered again. The Playhouse changed hands several times until Archer took over. Yesterday he announced new steps. In future the theatre will be known as the M1 Group Playhouse.

This is one of the biggest pieces of theatre sponsorships so far, and one of the most unusual. M1 is the financial services group which helped put on *Aida* and *Carmen* at Earl's Court. It is putting 250,000 into The Playhouse over three years.

OBSERVER

When he finally arrived at the ceremony yesterday, Archer said it was the kind of event that would shock a lot of people in the theatre world. If The Playhouse had turned it down, "there would have been a queue to take it up from London to Edinburgh."

Trevor Deaves, the 36-year-old chief executive of the M1 Group, said that sponsorship had played an important part in the development of the Group. There will also be a Playhouse Theatre Club for M1's 2,500 employees, and special facilities for M1 clients.

In the day-time, M1 plans to put the theatre to extra uses. The first conference of NACO will be held there in September. NACO is the National Association of Compliance Officers and is being set up by an M1 director, Clive Warburton, who was previously a senior compliance officer at IMRO.

Archer's latest play, *Exclusive*, collapsed rather quickly in the West end last year, and some of his earlier ventures have not been entirely successful. Never let it be said, however, that he does not land on his feet.

Saturdays

We went on Saturday to order some stuff for a new bathroom. All the experts said that the best place was a show room in Acton, West London. What it occurred to no-one to say is that it is closed on Saturdays and indeed is open on weekdays only from 8 am to 5 pm. This seems to me a peculiar way of doing business in an entrepreneurial society. When else, other than Saturday, is one supposed to turn up for what is a fairly expensive acquisition? I then went to buy a copy



"I swear to be economical with the truth, the whole truth and nothing but the truth."

of Le Figaro in one of the most cosmopolitan parts of London. The latest available was last Thursday's. Finally, I tried to buy some Finnish, liquid dishwasher soap. Three successive shops were out of stock. This is London 1990.

And to think we could have been watching more of the rugby - on which a repeated plea. Is it really necessary to hold two internationals on the same day? One a week through the season, to be shown live and in full, is the perfect recipe for a winter Saturday afternoon.

Two of a kind

There always seemed to be a similarity between Herbert Wehner, the West German politician who died at the weekend, and Franz Josef Strauss, who pre-deceased him. Although from different ends of the political spectrum, they had a kind of political pragmatism that outsiders sometimes

found hard to appreciate. Wehner was an ex-Communist who did as much as anyone to turn the Social Democrats to a moderate path with the Bad Godesberg programme of the late 1950s. It was also he who helped guide them into coalition with the Christian Democrats, and then to be the key party in government. Yet some Christian Democrats saw him always as a Communist at heart.

Strauss, too, could be pragmatic. He was rather respected in Eastern Europe and was not at all opposed to Bonn having an eastern policy under Willy Brandt. He just thought that he could do it better. Strauss and Wehner would have been thoroughly at home in the present climate. They also both had a habit of speaking German at times in a way that was almost incomprehensible to foreigners. Strauss in a Bavarian dialect, Wehner just incomprehensible.

Taxing job

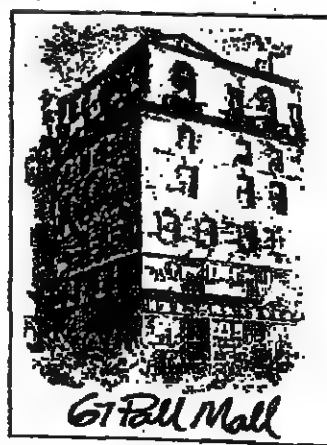
Brian Urwin, chairman of Customs & Excise Board, is not only the captain of the department's cricketing side; he is also board secretary to the English National Opera. Last Friday evening he was seen taking his French counterpart, Jean-Dominique Comolli, to the ENO production of Gounod's *Faust*, sung in English.

This could have been a softening up exercise, for Customs & Excise may be about to place one of its more high powered members as director-general in Brussels responsible for indirect taxation. He or she would serve directly under the French taxation commissioner, Christophe Scrivener.

Taboo

Pinched from a column in Saturday's Times because it seemed worth repeating: "How many feminists does it take to change a light bulb?" "That's not funny?"

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Nordic banking is experiencing the biggest shake-up in its history. The decision last week by the Swedish Government to allow foreign banks to open branches in Sweden underlines the growing financial liberalisation of the region. Bank mergers and amalgamations in Denmark, Sweden and Norway are redrawing the contours of the region's banking structure. And there are no signs that the changes are over yet; more can be expected over the coming months. The old, settled, regulated world of Nordic banking which has lasted for half a century is over for good.

The chief catalyst for change has been the European Community's decision to create a free internal market by 1992 and its specific commitment to the free movement of capital. The liberalisation and deregulation of the Nordic financial markets began in the early 1980s but the speed with which the over-protected system is being dismantled has increased during the past two years. In that time, the governments of the region have committed themselves to removing the remaining restrictive financial barriers between the Nordic region and the EC. "The Nordic banks are positioning themselves for Europe," says Mr Sten Westerberg of SEB's Food Commission. This positioning has compelled

The upsurge of bank mergers marks more vividly than ever before just how fast the Nordic region is converging with the rest of Europe

them to strengthen and streamline their organisations by reducing the number of players in what has traditionally been an overcrowded market. As a result, regulation we have simply had far too many banks in the area," says Professor Lars Oxelheim of Gothenburg University. "In the past when there was a fixed interest rate banks were forced to compete with each other through the quality of the service they could provide. You had them proliferating and duplicating themselves in every small town and village." In Denmark today, for example, there are still 77 commercial banks and 150 savings banks to service a population of just over 5m.

The pressures for a more streamlined and rational banking structure have, therefore, grown irresistible. With economies of scale the emerging bigger banks can serve on costs by not duplicating services and by using modern computer technology more efficiently. The results will inevitably mean fewer local bank branches off with less staff in many areas and perhaps an overall improvement in the quality of service to corporate and individual clients.

However, there is a more fundamental reason for the mergers and amalgamations. The growing dominance of the Nordic banking scene by

Robert Taylor reports on the current wave of mergers and acquisitions in the Nordic countries' banking sector

High interest from financial liberalisation



The biggest upheaval has been in DENMARK. In late November the surprise merger took place between two traditional rivals, Den Danske Bank and Copenhagen

Handelsbank, to form Den Danske Bank with an equity capital of DKK195m (£1.7m) and total assets valued at DKK300m. On 13 December the Jutland-based Provinsbanken joined them to create what is now the biggest bank in the Nordic region with total assets of nearly DKK400m and equity and reserves of more than DKK230m.

Earlier last month three other Danish banks - Privatbanken, SDB and Andelsbanken - announced that they had merged to form UNI Bank Denmark (UBD) with combined assets of DKK300m and equity of DKK195m. The two new conglomerates combined will account for around 55 per cent of total Danish banking.

SWEDEN has also undergone bank mergers over recent weeks, with more structural changes than it has experienced in the past 20. It began with the announcement on November 20 that the country's second largest

bank, Svenska Handelsbanken, intended to purchase the Malmö-based regional Skanska bank for SEK25m (£200m), to form a new bank with assets of some SEK300m. Earlier this month Sweden's state-controlled PK Bank made a successful SEK15.5bn bid for the country's fifth biggest bank, Nordbanken. The result has been the creation of what is now the country's biggest banking group, Nordbanken, with total assets of SEK300m.

Until now the powerful Scandinavian Enskilda Bank - the largest in the region before the recent upheaval - has not played a big role in events, though it did make a late, unsuccessful counter-bid for Nordbanken. Some observers believe that SEB's internal troubles, the alleged tax irregularities of its chief executive Mr Jacob Palmstierna, who resigned and was later charged - preoccupied the bank's leadership so that it missed out on opportunities for expansion.

There are strong indications that SEB may also become a beneficiary of the Nordic banking merger trend. It is believed to be having discussions with Gotabanken, Sweden's fourth largest commercial bank, which is

busily digesting two Swedish regional banks, Wernlandsbanken and Skaraborgsbanken.

But with the removal of regulations over foreign banks coming in July, there is a possibility that SEB will establish close relations with banks inside the European Community. Last October NORWAY's Bergen Bank and Den norske Creditbank (DnC) announced that they had merged to form a new alliance with total assets of NOK210bn (£19bn). This looked more like a shot-gun marriage than one of convenience for the troubled DnC.

Since the end of the oil boom in 1986 the Norwegian banking system has gone through a crisis period with heavy loan losses and a record number of commercial and personal bankruptcies that hit bank profitability badly. In the case of DnC the troubles were especially acute, with its equity ratio capital falling to dangerously low levels.

Only FINLAND's banking scene has remained tranquil. But there is no reason why the Finnish banking system should be immune from the Nordic upheaval, since the primary reasons for this sudden outburst of Nordic bank merger and acquisition activity are common to the region as a whole.

the larger national commercial banks reflects an understandable defensive strategy on their part to strengthen their position before the expected arrival of foreign banks in their midst. This looks likely to happen over the next few years. The promised changes in domestic banking legislation will first lift existing restrictions on foreign banks operating in Sweden; the necessary deregulation there is expected within 18 months. Later the restrictions will be lifted in Norway.

In the past Nordic governments have tended to protect their domestic

banks from outside competition. Now, with varying degrees of enthusiasm, they are openly and positively welcoming the end of the old regulated system they created in the 1930s. Indeed, a favourable government attitude has been a crucial element in the current banking upheaval.

The Nordic governments have abolished or relaxed foreign exchange controls and allowed their own citizens and financial institutions to buy shares abroad.

The liberalisation of capital movements has also played an integral role in facilitating the expansion of the

international operations of Nordic companies, particularly the larger Swedish ones inside the EC. It has precipitated a reassessment inside the Nordic banks of how they should devise strategies that will take them closer to such European developments.

It is true that so far there have not been many big cross-border banking ventures, mainly because restrictions on foreign ownership still make such undertakings difficult. But there is evidence of some first moves to do deals of this sort. The most prominent is the Scandinavian Banking Group

that has brought together Bergen Bank, SEB, Danske Bank and the Union Bank of Finland in a co-operative venture which enables the customers of one to enjoy preference with the others. In the autumn of 1988 the Finnish bank Kansallis-Osake-Pankki formed a holding company structure with the Gota group in Sweden.

Joint ventures between Nordic banks and banks outside the region - particularly those in EC countries - can also be expected in the near future. Danish banks could lead the rest as they seek niches in markets elsewhere in continental Europe. This would mean the development of pan-European regional strategies for the banks rather than any over-ambitious attempt to compete head-on with the existing EC financial giants.

Such a move would also enable the Nordic banks to service Nordic companies that are busy expanding their operations in the EC through direct investment, although many of the large industrial companies do not need to rely on the Nordic banking system for the growth of their activities. "Big companies need big banks," declares Professor Oxelheim.

At the same time joint ventures between different kinds of Nordic financial institutions can also be expected over the next few years. The chief executive officer of Denmark's

Joint ventures between Nordic banks and banks outside the region - particularly those in EC countries - are expected in the near future

leading insurance company Baltica, Mr Peter Christoffersen, has suggested the creation of a huge Danish conglomerate that would bring together existing institutions from commercial banking, insurance and mortgage credit.

The carefully drawn legal distinctions between different kinds of financial activity that have regulated the Nordic banking scene are becoming rapidly obsolete and new laws will make much easier the emergence of large multi-financial bodies to service industry and the individual. This is already the case in Finland, for example, where the banks have started selling certain kinds of policies for the insurance companies, although they have not been allowed to take on any insurance liabilities themselves.

It is often overlooked that all the major Nordic financial institutions have already established subsidiaries or representative offices across the world as financial integration and capital mobility are bringing them ever more firmly into the international financial system.

This winter's sudden upsurge of bank mergers and acquisitions in the Nordic region marks more vividly than ever before just how fast the region is converging with continental western Europe.

LOMBARD

Mr Newton's Overdraft

By Michael Prowse

MR TONY NEWTON, Britain's social security secretary, is proving a bit of a spendthrift. After running a healthy surplus for years, the National Insurance fund has plunged into deficit. I would be the last to object if this reflected a more generous policy on benefits. Needless to say, it does not. The basic pension, which continues to decline against earnings, is a meagre £43.60 a week - rather less than the cost of a meal for two in a typical City restaurant.

The deficit mainly reflects the unexpected popularity of personal pensions. When people contract out of the state earnings related pension scheme (SERPS), the fund loses contribution income. It also has to pay out an "incentive" payment worth 2 per cent of relevant earnings. But the fund's short-term liability - principally pensions and payment - remain unchanged.

Officials originally budgeted for about three quarters of a million people to leave SERPS. The latest estimate is that about 4m will have left by the end of April. But if the insurance companies launch another successful sales drive, this may prove an underestimate: the market for personal pensions could be as large as 7m people - two thirds of the original SERPS membership.

This exodus is proving expensive. The cost of contribution rebates has risen from £792m in 1987-88 to £1,500m in 1988-89. Incentive payments have soared from £345m to £615m. Overall the fund will have lost nearly £5bn in the three years to next April. Costs are likely to escalate because more people will leave SERPS and because contribution rebates and incentive payments are linked to earnings. An increase in National Insurance contributions (NICs) would be the logical response to this loss of revenue, but it hardly looks attractive in the run-up to a general election.

The Government has thus begun covertly subsidising the National Insurance fund from general tax revenue. This is somewhat ironic because Mr Nigel Lawson spent years as Chancellor struggling to reduce the fund's reliance on

Treasury subsidies. The so-called Treasury Supplement has only just been abolished. The return of subsidies may be embarrassing, but does it matter? Some critics will say no, on the grounds that NICs are merely a crude tax on employment; a cross subsidy means less weight is placed on a bad tax. In the long run, say such critics, NICs should be merged with income tax and the fund wound up.

This may look an appealing argument, but it ignores the attractions of contributory benefits. There may be no actuarial link between contributions paid and benefits received, but many elderly people, with some justice, believe they have "earned" their state pension. Tax financed income support is regarded as state charity.

There is a more telling objection to Mr Newton's overdraft. When the Thatcher Government swept to power in 1979, it promised to abolish state subsidies. It claims to believe that companies and individuals should face the true economic costs of their decisions. Yet the 3 per cent subsidy for personal pensions is as harmful as the hand-outs received by manufacturing industry in the 1970s. The bribe has artificially stimulated the demand for personal pensions - and the premium income of insurance companies - because salesmen can offer "something for nothing."

There was a case for making personal pensions available, but not for loading the dice against SERPS. Many of those who left the state scheme probably did not appreciate the risks involved in abandoning a guaranteed pension for the vagaries of the stock market. Statistically, a significant proportion are likely to end up with grossly inadequate pensions. Even the insurance companies admit that all those who left would be wise to rejoin SERPS at a future date. It is surely the height of fiscal irresponsibility to undermine the National Insurance fund by spending £1.5bn of taxpayers' money encouraging people to gamble their pensions. When so many of today's pensioners are obliged to live on so little, the policy looks more than a trifle callous.

LETTERS

Wage bargaining: advantages of the Japanese way

From Mr Ronald Dora.

Sir, Peter Robinson of the Campaign for Work places (Letters, January 17) that the United Kingdom should find some more civilised way of managing wage bargaining than occasionally clobbering the economy with a swingeing deflation.

Last Thursday's issue of Asahi (one of the Japanese newspapers published daily in England) reported part of the process whereby, in Japan from January to March every year, a rough kind of "consensus view" about the economy and the size of an affordable pay increase is built up in

advance of the "spring struggle," when wage negotiations take place more or less simultaneously in individual firms. The Japanese Employers' Federation (Nikkeiren) held an extraordinary general meeting at a Tokyo hotel on January 17 and approved the report of its Labour Problems Study Group, which establishes the federation's basic stance for the wage negotiations. The report came out strongly for the principle of the productivity criterion, which meant, according to the study group's calculations, a wage rise of 3 per cent.

However, the president, Mr Suzuki, said at the meeting:

"The 3 per cent to 4 per cent, which the Rengo union federation is talking about, is out of the question, but in the light of the booming state of the economy and the overall shortage of labour, 3 per cent does look a bit unrealistic. I think we need to be looking at something under 5 per cent, certainly, but something in the 4 per cent range."

The point is not to envy an economy where 4 per cent to 5 per cent counts as a realistic figure. The point to envy - and to see whether possibly we can emulate it - is the way the wage bargaining proceeds. Japan's is an economy in

which every newspaper reader, every wage bargainer, is reasonably well acquainted, through daily news items like this, with the basic concept of "the overall increase in incomes the economy can afford without running into inflation."

And, because all the bargaining is crammed into a few months of the year, that general consciousness really does enter into the bargaining process.

Ronald Dora, Japan-Europe Industry Research Centre, Imperial College, Exhibition Road, SW7

Goodwill and tax

From Mr Ian Morrow.

Sir, The resistance to writing off goodwill is in part because the write-off is not allowed for tax and thus causes considerable distortion to the net profit.

I would suggest that goodwill should be stated in full in the balance sheet and not written off on acquisition, but until write-off is allowed for tax the write-off in the profit and loss should be balanced by a draft on reserves.

Ian Morrow, 2 Albert Terrace Meads, London NW1

Rate phasing bitterness

From Mr A.R. Paddison.

Sir, Richard Evans ("Businesses protest at rate phasing," January 16) appears to have missed the real point about why those businesses with rate reductions in 1990/91 are complaining so bitterly about phasing.

Mr Evans correctly points out that the percentage reductions in real terms, for premises where the rateable value exceeds £10,000 (outside London), is 10.5 per cent. But the Government has decreed that 7.6 per cent inflation is added back, so that the net reduction is only 3.688 per cent.

How many years will it take to get down to the relevant level when many businesses are entitled to a 50 per cent reduction or more?

Losers go up by 20 per cent in real terms - but by the time inflation is added, the real percentage increase is 28.12 per cent (and increasing at roughly the same level per annum until they reach the full amount of rates payable on their new rateable values).

A.R. Paddison, Bidwells (Chartered Surveyors), Trumpington Road, Cambridge

Dish for polyglots

From Mr David Steeds.

Sir, Emrys Edwards ("The Countess no longer loses her chopsticks," January 12) is optimistic about the availability of satellite television for the learning of languages.

I agree that watching foreign TV is an excellent way to learn. Unfortunately none of the British satellite companies offers any foreign TV channels and a special dish beamed at foreign satellites costs over £2,000.

David Steeds, 7 Campion Road, Putney, SW15

Bundesbank tactics and the European Monetary System

From Mr David Morrison.

Sir, George Magnus (Letters, January 17) is probably correct in stating that a sizeable revaluation of the D-Mark versus other currencies in the European Monetary System (for the Danish krone and Irish punt is required to resolve the burgeoning trade imbalances within Europe. However, he is unjustified in criticising Samuel Brittan for labelling the Bundesbank "irresponsible" in its campaign to force such a realignment (Lombard, January 15).

Of course the Bundesbank's tactics are irresponsible. Not only have they allegedly ignored the desires of any other EMS central bank or, indeed, any other Group of Seven partner, they are also trying to force a result in a system in which they are essentially "outsiders," not "insiders."

Exchange rate levels in the EMS, like any other fixed rate mechanism before it, are set primarily by politicians. Exchange rate economics does not matter much to them unless the politicians are under threat from the strains within the system. Thus the Bundesbank's correct judgment that a D-Mark revaluation is appropriate can be easily ignored by people more interested in vote-catching or retaining, than setting "responsible" exchange rate levels.

I am surprised that such a good international economist as George Magnus should be misled by the political fixers to the error of their ways. After all, the longer it takes the politicians to address the problem the more likely that the inherent flaws of the exchange rate mechanism's excessive rigidity will be exposed to all the world. David Morrison,

Managing Director, Chief International Economist, Goldman Sachs International, 5 Old Bailey, EC4

From Mr Donald Franklin. Sir, George Magnus is quite right to stress the importance of recent capital flows into West Germany following developments in eastern Europe as a justification for a revaluation of the D-Mark.

What he fails to appreciate is the political importance to supporters of economic and monetary union of maintaining current policies: whether the EMS can withstand an external shock, such as the crumbling of the Berlin Wall, without a realignment is a key test of the sustainability of fixed exchange rates in Europe (for both the Delors and the Treasury models of European monetary union). Revaluation of the D-Mark's

real exchange rate is none the less inevitable: it can only be secured without EMS realignment if German inflation exceeds that elsewhere for a number of years.

Clearly the Bundesbank is not keen for this to occur through a significant acceleration of German inflation. But the rise of other European interest rates in line with German rates despite the absence of comparable domestic inflationary pressures, suggests that other authorities, particularly the French, may be attempting to secure a substantial reduction in their inflation rates beneath that of Germany.

Such a policy may be difficult (growth will no doubt also undershoot), but it is also credible and worthy. Donald Franklin, Chief Economist, Schroders, 36 Old Jewry, EC2

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FINANCIAL TIMES

Monday January 22 1990

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The name behind the name.

Washington mayor admits he has a drug problem



Effi Barry backs her husband (left) at a news conference

MR MARION BARRY, the mayor of Washington DC, charged with possession and use of crack cocaine, yesterday admitted he had "a problem" amid speculation by his closest advisers that he would not stand for re-election this November and would enter a drug treatment programme.

Following his arrest late on Thursday in a Federal Bureau of Investigation operation, Mr Barry decided to hand over his day-to-day duties as chief executive of the US capital to the city's top administrator.

The Barry affair has not only gripped Washington but has also dominated national attention, not least because the US capital faces a serious drug epidemic and related street violence.

In a televised statement yesterday at his local church, Mr Barry said he had a problem and would seek help "to heal my body, mind and soul."

There were reports yesterday that Mr Barry would not run

for re-election and that his lawyers might discuss a possible plea bargain agreement with prosecutors. The federal authorities have talked of a continuing public corruption investigation and hinted at further charges.

There has been strong pressure on Mr Barry to stand down from both the majority black community in Washington and from such pillars of the white establishment as the Washington Post newspaper.

An opinion poll commissioned by the paper shows that most residents, including a small majority of blacks, believe Mr Barry should resign as mayor immediately.

His arrest has stunned the black community, where he led the fight against drug abuse and trafficking.

Editorial Comment, Page 14

Now for the economic revolution

Romania's new Finance Minister talks to Victor Mallet

MILITARY officers do not always make good finance ministers, but Gen Victor Stanculescu, the National Economy Minister in Romania's interim government, is no ordinary soldier. The only gun he carries now is a toy cigarette lighter.

In an interview with the FT, Gen Stanculescu outlined the Government's sweeping plans to liberalise industry and agriculture and solicit foreign investment following the revolution a month ago.

Gen Stanculescu said Romania was drawing down its foreign currency reserves to pay for imports, but added: "With what we have of our own, and with what we are owed by other countries, there are no problems for this year."

The current account has moved into deficit after years of surpluses under the austere and brutal regime of Nicolae Ceausescu, who used the money to pay off the entire foreign debt at the expense of the living standards of his people.

The deficit has emerged partly because of the turmoil of the revolution, and partly because of the ruling National Salvation Front has suspended food exports until mid-1990 and arranged special imports.

Gen Stanculescu said \$150m of food will be imported in the first quarter of the year.

Negotiations are under way to secure urgently needed electricity supplies from the Soviet Union, Czechoslovakia and Western Europe.

As the former chief of armaments and logistics in the Defence Ministry, he is well placed to procure the food and energy imports which the Romanian economy so desperately needs. "I have worked on economic questions for 30

years," he said. "The situation has improved a lot... let's hope that the people will have confidence and that the produce will start to arrive at a faster rate."

Diplomats in Bucharest estimate that Romania had about \$1bn in foreign exchange reserves at the end of last year, and is owed some \$2bn by its trading partners, mostly in the Middle East. This should give the country a breathing space until it negotiates foreign loans.

"We are no longer a closed country," said Gen Stanculescu, when asked whether Romania would borrow. "We are analysing things with our experts and we will begin to approach various countries and international organisations."

He said industrial production was 30 per cent down because of electricity shortages, and was depressed only another 6 per cent by the post-revolution confusion on the shop floor.

He expressed anger at trading partners who, he said, were trying to push up international prices in response to high demands from Romania, the Soviet Union and Poland. "If the European market continues to do this we will contact Argentina and Brazil, especially for meat."

He spoke of a series of measures which show that the Romanian Government is

already relinquishing the old rigid central planning system. Guidelines for foreign investment and joint ventures are being prepared, industrial decision-making is being decentralised and 2m hectares of badly managed co-operative farmland are earmarked to be returned to the peasants who once owned it.

His ministry will control the production and distribution of 400 basic materials compared with 2,000 before the revolution. Trade with the West is expected to increase as state companies make their own contacts abroad without reference to any higher authority.

The Lei, the Romanian currency, was devalued last week, with the commercial rate rising to 21 to the dollar from 15, against a black market rate of about 70. Gen Stanculescu wants the economy to adjust to reality but not with a hard landing.

He displays the same caution with his plan for the gradual erosion of consumer subsidies. "We shall do it very carefully. It will not be a spontaneous liberalisation but a controlled one."

In the lobby of the Economy Ministry, the words "Socialist Republic" have been torn out of the brass slogan embedded in the wall, leaving to declare "Long Live Romania."

Gen Stanculescu and his colleagues are busy receiving foreign visitors and securing imports for the year ahead from Western and Eastern Europe. They know, however, that much larger questions about the country's economic future have yet to be resolved.

The new generation of Romanian leaders in the ruling Front and in the various political

parties beginning to emerge have begun to grasp the enormity of the task which awaits them.

Much of the debate focuses on the difficulty of transforming a rigidly-controlled planning system into a thriving mixed economy, at the same time as meeting the expectations of the Romanian people after the December uprising.

It is true that the Ceausescu regime, having squeezed the population dry, left no foreign debts, but he also left no private businessmen capable of buying up the ailing state industries now touted for privatisation. Investment was

The new generation of Romanian leaders in the ruling Front and in the various political parties beginning to emerge have begun to grasp the enormity of the task which awaits them.

Insufficient and mis-directed into heavy industry. Private farms were either swallowed up or discouraged by the state.

Government statistics were largely bogus and the true figures are even worse than expected.

Last year's grain harvest was 17m tonnes, not 50m tonnes announced by Mr Ceausescu. Potato production was a quarter of the official figure.

If the Interim Government goes too far in laying down the law for Romania's economy or for its political system, it risks being accused yet again of riding roughshod over other political groups and their views.

Political instability is therefore likely to slow the pace of Romania's inevitable economic reforms.

Bush faces battle over taxes and budget cuts

By Peter Riddell, US Editor, in Washington

A LENGTHY battle between President George Bush and the Democratic-controlled Congress over taxation and reducing the deficit is in prospect after Senator George Mitchell, the Majority leader, yesterday hinted at possible leadership support for a cut in the social security payroll tax.

Until yesterday, the Democratic leadership had remained silent since Senator Daniel Patrick Moynihan, the independent-minded New York Democrat, suggested increases in the social security tax three weeks ago. This has been strongly opposed by the Administration.

Mr Richard Derman, the budget director, said yesterday that Senator Moynihan had "in effect, thrown a grenade into the middle of the House and the Senate. We're going to have a lot of shrapnel in the air; and what he's hoping is that somehow they're all going to run at once and make it into a beautiful vase."

A week before the President's budget, Mr Derman said that the "peace dividend" in defence spending would amount to \$10bn in the coming fiscal year in real, inflation-adjusted terms - or \$15bn to \$16bn less than previously planned, rising to \$40bn in four years.

Senator Mitchell said yesterday that, while he could not endorse the Moynihan proposal yet, he might "well do that soon." He said there was "a growing groundswell of support for it in both Democratic and Republican parties in Congress and around the country. I think it's the kind of thing that deserves very serious study... We may well endorse it once we get the details of the plan, and most importantly, determine the impact on the deficit."

He talked of possibly linking deficit decrease to payroll tax reduction. He added that there is "a very real possibility that it might pass."

In an election year, Democratic leaders see the scope for using the proposed cut in social security tax - which mainly benefits lower and middle income groups - as part of larger budget manoeuvring along with the President's proposed cut in capital gains tax, which mainly helps the better-off.

Senator Mitchell said that the Moynihan proposal greatly complicated a capital gains tax cut.

Senator Moynihan has argued that rises in the payroll tax have boosted the existing surplus on the social security trust fund which has been used to help down the Federal budget deficit.

The suggested cut in the tax would add \$82bn to the deficit over two years and undermine the task of cutting the deficit in line with the Gramm-Rudman statutory targets.

Fed and White House pull punches, Page 4

THE FEX COLUMN

Let the buy-out also beware

As Lowndes Queensway returns from suspension today, shareholders are entitled to ask themselves why on earth they should pay for a rights issue five months after the last one. The whole point about buy-outs is supposed to be the substitution of debt for equity. This deal involves more than tripling the equity base, with the injection of \$35m of equity capital into a business which was only worth \$27m when its shares were suspended.

It is also unclear when the new shares might provide a return. Given the risks, it would be reasonable to expect at least the same 15 per cent yield as can be got on cash. At a price of 5p and assuming some kind of dividend cover, this implies earnings per share of 1p, or operating profits of perhaps \$35m. For a company forecasting net losses this year of \$45.5m and a further \$35m of exceptional losses, this would be going.

The old Harris Queensway, a rather larger organisation, made only \$5m in operating profit in its best year.

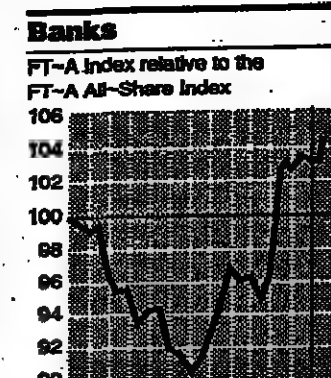
It would hardly do for shareholders to vote down the package, since this would mean the collapse of a business with 5,000 employees. The more sensible course is to decline to take up the rights, even if this means diluting the existing shares almost out of existence.

After all, any shortfall on the issue has been guaranteed by those to whom the job of rescue properly belongs - the bankers who sanctioned the deal in the first place.

UK banks

Now that the UK clearing banks have summoned up the courage to sell the Yorkshire Bank to a new competitor, their recent conversion to maximising shareholder value ought to mean that they should continue to tidy up their business by disposing of other inherited investments. It is a pity that the clearing banks, such as the St Group and the Agricultural Mortgage Corporation. However, this is more tinkering in contrast with the sweeping changes in the banking landscape which are likely to occur over the next few years.

The old pecking order in UK banking has remained virtually unchanged since the big banking mergers of the late 1960s. The Bank of England did try to tidy up some of the loose ends by arranging the marriage of Standard Chartered and the Royal Bank of Scotland in 1981. But this was thwarted by a combination of events and, apart from Lloyd's Bank's fruitless bid for Stan-



dard Chartered in 1986, the structure of UK banking has been largely unchanged for far too long. There are too many banks in the UK and it is possible to envisage at least half of the main High Street banks losing their independence over the next few years.

The well documented problems of Standard Chartered and the TSB mean that these two institutions are at the top of any list of potential takeover targets, and they will not be missed. Meanwhile, questions about Midland's future are likely to increase as the end of its standard investment agreement with the Hongkong and Shanghai Banking Corporation approaches later this year.

Some sort of merger is in the best interests of both groups. The Royal Bank of Scotland's share price is already signalling that it is an obvious bid target and the more that Lloyds Bank distances itself from its historical past, the more it seems that it will end up being taken over.

The real importance of the Yorkshire Bank takeover is the price - close to three times book value and 13.8 times earnings. The days when UK retail banks would happily agree to be taken over at below net asset value is long since gone.

For a sector which rarely trades at a premium to book value, this can only be good news.

Global equities

In an era of supposedly global investment, it is surprising that there is not more rigorous analysis of the differences in value between international equity markets. The US fund management group, GMO Woolley, has attempted to do the job by breaking down the different components of investment return. First comes the value-based return, consisting purely of real earnings growth plus the dividend yield. Then comes the revaluation return, consisting of changes in the

market p/e and currencies. Analysing the period 1969-89 for the US, Japan, West Germany and the UK shows the value-based returns for the four markets remarkably similar. The best, somewhat surprisingly, is the UK, with a total of 7.8 per cent made up of real annual earnings growth of 2.4 per cent and dividend yield of 5.3 per cent. The returns in the other three countries are grouped closely around the 5 per cent level; higher real earnings growth in Japan is counteracted by a lower dividend payout.

It is the revaluation element of return which has enabled Japan to outperform over the last 20 years. The yen's strength has helped, but the main growth has come from the upgrading of p/e ratios on the Tokyo market. The latter factor has provided an average boost of 8 per cent per year compared with minus figures for both the UK and the US.

The outperformance may be partly due to the starting date. The late 1960s saw the all-time peaks (in inflation-adjusted terms) of the US and UK markets, while the Japanese economic miracle had not been fully grasped by international investors. But the same effect can also be demonstrated over the last 10 and five years. The US has lagged behind the other markets over all three periods, while the UK has roughly matched Germany both in terms of real earnings growth and total real return.

The obvious question is whether the Japanese outperformance is sustainable, or whether, as markets grow more capable of efficient arbitrage, the gap will narrow. To an extent, the differential was reduced in 1989, more because the other markets started to catch up than because Japan slipped back. But there is no sure reason to suppose that the gap will be further reduced.

It might be argued that the growth in Japanese p/e ratios has been caused by low interest rates pushing savings into equities rather than cash. In fact, of the four countries Japan has seen the highest real interest rates over the period - 3.4 per cent against 2.4 per cent for the US. Nevertheless, it may well be that the low rates of inflation and nominal interest rates in Japan sustain equity values. The lower discount rate which investors would apply to future Japanese cash flows would result in a higher present value of Japanese shares. But if nominal Japanese interest rates keep rising as they have done lately, so much the worse for equities.

Clashes in Azerbaijan continue

Continued from Page 1

Baku city executive committee. The television station in Baku, which had been taken over by Azerbaijan nationalists, was rocked by an explosion on Friday, blamed by the military on the nationalists, and by the latter on the military. Broadcasts had not resumed last night.

In Nakhichevan, nationalist Azerbaijanis seized control of the television station to broadcast an appeal in seven languages against "the genocide of Moslems" in the region.

Meanwhile, thousands of Azerbaijan Communist Party members were burning or returning their party cards. Soviet television last night showed pictures of a rally in the city of Gandzha (formerly Kirovabad) with Communist Party members publicly burning their cards.

The military action has been bitterly criticised for apparently being taken not to stop the violence, but to defend the Communist Party against a threat to its power.

Diplomats try to end impasse over Hong Kong constitution

By John Elliott in Hong Kong

BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future constitution of Hong Kong. This follows Peking's decision on Saturday to restrict severely the territory's democratic development from 1997, when China regains sovereignty.

Peking-dominated drafters of the Basic Law, which will form Hong Kong's constitution after 1997, decided on Saturday that only 18 people in Hong Kong's 60-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting system which would give blocking powers to indirectly-elected members.

The present system is a mixture of representatives appointed by the Governor and indirectly-elected members nominated by professional groups. There are currently no directly-elected members.

Peking also shocked the UK and Hong Kong at the weekend by stating that foreign nation-

als should fill only 15 per cent of the legislature's seats. This is intended to bar people who gain a right to stand for the UK's plan to offer British passports to up to 225,000 people.

Limited concessions were introduced for the composition of the legislature in 1989 and 2003, by which time 50 per cent would be directly elected. But the overall package was criticised by Hong Kong's drafting representatives and is unacceptable to majority opinion in the colony.

The Peking-London talks are aimed at finding a compromise which will enable the two countries to agree on a progressive introduction of democracy, with the two countries' plans converging in 1997.

If agreement is not reached, the UK is considering announcing 20 seats for next year and leaving a decision on 1995 until later.

The UK's target, which is in line with broad Hong Kong opinion, is believed to start with at least 20 seats in 1991.

This would rise to 24 seats (40 per cent) in 1995 and continue through the 1997 change-over, converging with China's system, which would then go fairly quickly to 50 per cent.

The target of the current behind-the-scenes diplomacy is to reach agreement by February 12, when the full Basic Law Drafting Committee meets for its final plenary session.

The law goes for ratification to the Standing Committee of the National People's Congress in Peking in March or April.

There were reports yesterday that the US would change tactics over its opposition to the British policy of forcibly repatriating Vietnamese "boat people" who have escaped to Hong Kong.

State Department officials said that at an 18-nation meeting in Geneva tomorrow the US would relax its current stance of outright opposition, in return for British agreement to halt involuntary repatriation for a year.

EC backs Soviet call for early summit

Continued from Page 1

standing for the enormous dilemmas. We just hope that the military intervention is in proportion to the problem." Mr Hans van den Broek, the Dutch Foreign Minister, said after the meeting.

Out of the EC meeting emerged a common desire to help Mr Gorbachev and to support his policies for reform and democracy," said Mr Roland Dumas, the French Foreign Minister. But the 12 were also anxious to plan a new security structure for Europe, beyond an arms reduction agreement later this year, that could leave Nato and the Warsaw Pact

increasingly redundant, said Mr Gianni Di Michelis, the Italian foreign minister.

The CSCE conference which produced the Helsinki Final Act in 1975 had, said Mr Collins, proved its worth in letting the 33 European countries protect their legitimate rights. However Mr Douglas Hurd, the UK Foreign Secretary called for careful preparation before the summit.

For all the talk of common positions Mr Jacques Delors, the Commission president, provoked some disagreement when he repeated his view that East Germany was a special

case in Eastern Europe and could join the Community before 1993. All other states, including the recently-ousted Turkey, have been told they stand no chance of joining the EC until it has finished its single market plan.

Mr Delors said it was his personal opinion, as distinct from that of the Commission, that East Germans as potential West German citizens deserve special treatment and would have three options. After their elections in May, they could have formal association with Brussels, membership as the 13th EC state, or membership as part of Germany.

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WORLDWIDE WEATHER

	Yday	Today	Yday	Today	Yday	Today	Yday	Today	Yday	Today	
	C	F	C	F	C	F	C	F	C	F	
Alaska	14	15	Dallas †	14	15	Madrid	14	15	Prague	14	15
Algeria	14	15	Dubai	14	15	Moscow	14	15	Rangoon	14	15
Argentina	14	15	Edinburgh	14	15	Mumbai	14	15	Rangoon	14	15
Australia	14	15	Faro	14	15	Manila	14	15	Rangoon	14	15
Bahamas	14	15	Frankfurt	14	15	Medan	14	15	Rangoon	14	15
Bangladesh	14	15	Glasgow	14	15	Montevideo	14	15	Rangoon	14	15
Barbados	14	15	Havana	14	15	New Delhi	14	15	Rangoon	14	15
Belize	14	15	London	14	15	Osaka	14	15	Rangoon	14	15
Bermuda	14	15	Lima	14	15	Seoul	14	15	Rangoon	14	15
Bhutan	14	15	Los Angeles	14	15	Singapore	14	15	Rangoon	14	15
Bolivia	14	15	Manila	14	15	Sydney	14	15	Rangoon	14	15
Brazil	14	15	Mexico City	14	15	Taipei	14	15	Rangoon	14	15
Bulgaria	14	15	Paris	14	15	Tokyo	14	15	Rangoon	14	15
Burkina Faso	14	15	Port of Spain	14	15	Toronto	14	15	Rangoon	14	15
Burundi	14	15	San Francisco	14	15	Winnipeg	14	15	Rangoon	14	15
Cambodia	14	15	Seattle	14	15	Yokohama	14	15	Rangoon	14	15
Cameroon	14	15	Stockholm	14	15				Rangoon	14	15
Canada	14	15	Taipei	14	15				Rangoon	14	15
Cape Verde	14	15	Tel Aviv	14	15				Rangoon	14	15
Chad	14	15	Tientsin	14	15				Rangoon	14	15
Chile	14	15	Tripoli	14	15				Rangoon	14	15
China	14	15	Yokohama	14	15				Rangoon	14	15
Colombia	14	15							Rangoon	14	15
Congo	14	15							Rangoon	14	15
Cote d'Ivoire	14	15							Rangoon	14	15
Croatia	14	15							Rangoon	14	15
Cuba	14	15							Rangoon	14	15
Cyprus	14	15							Rangoon	14	15
Czechia	14	15							Rangoon	14	15
Dominican Rep.	14	15							Rangoon	14	15
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Dominican Rep.	14	15							Rangoon	14	15

FINANCIAL TIMES COMPANIES & MARKETS

Monday January 22 1990

ECONOMY IN ACTION

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INSIDE

Investors will feel pain of break-up

The appointment of an administrator to the financial services and property company, will now inevitably be broken up. It is clear, however, that shareholders are unlikely to recover any of their investment and, with buyers being sought for profitable subsidiaries, the effort to assign blame for the company's collapse is only just beginning. At the centre of the controversy, but no longer of the company itself, is Mr Max Lewinson (above), creator of Dominion in its present form. Clay Harris reports. Page 21

New broom sweeps in at Bilbao

Mr Mariano Rubio, the Governor of the Bank of Spain, has named Mr Emilio Ybarra y Churrua as president of Banco Bilbao Vizcaya (BBV), the country's biggest bank. The move comes after more than a month in which BBV's board had been unable to resolve its leadership crisis. Page 19

Lovell set to sell holding

YJ Lovell is expected to sell its 10 per cent holding in Higgs and Hill, following the failure of the £167m hostile takeover bid for its competitor in disposal. The move was announced on Saturday afternoon when it was announced that Lovell could claim acceptance for only 34.8 per cent of Higgs and Hill capital. Page 21

The secrets of success

Recent deals involving British Aerospace and Thomson-CSF in missiles, and Boeing and three Japanese heavy engineering groups in aircraft development, suggest joint ventures and other non-equity forms of collaboration have become part of a large company's repertoire. Yet bringing together a market and a product technology does not guarantee success, even when leading companies are involved, as the recent collapse of the Intel-Siemens venture shows. This week's Business Column gives a check list for the management of successful joint ventures. Page 32

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Japan's medicine men set sights on the West

Peter Marsh on growing links between drug groups

"EVERYONE is looking at everybody else," says Ms Helle Bechgaard, president of Bechgaard Pharma, a Danish drugs company. She is talking about the swirl of proposals for equity deals and other alliances that over the past year has been a feature of the world's \$130bn-a-year pharmaceutical industry.

The drive to set up such partnerships above and beyond the borders of the company, and according to many observers in the business, Japanese drug companies, which up to now have had little impact outside their own country, will play an increasing part.

In the medicines industry, Japan has a lot of catching up to do. One Japanese company - Takeda - is among the top 15 drugs groups worldwide. And Japanese-developed medicines are thought to account for just 2 per cent of the \$70bn-a-year pharmaceutical market in Western Europe and the US.

People in the West's drug industry, however, view the Japanese with respect. They are especially impressed by the way many Japanese companies are increasing their research and development in new areas of healthcare therapies, in biotechnology and cancer treatments for instance.

"The Japanese are going to be considerable competitors," says Mr Gerard Fairclough, chief executive of Celltech, a leading UK biotechnology company. Celltech itself is up for sale and Japanese drug companies possibly Chugai or Yamanouchi - have been touted as possible buyers. Bids for Celltech, expected to come from a number of drugs groups around the world, are likely to be finished over the next few weeks. And any deal would follow a series of drug industry shifts over the past year.

These have included mergers involving large companies, such as the US's SmithKline Beecham and Beecham of Britain.

Last week Rhône-Poulenc, the state-owned French chemical and medicines company, said it would acquire a majority stake in the medium-sized US drug group, to create a new business with annual sales of about \$30m. At the same time Sankyo, Japan's second biggest drug company, announced plans to spend \$75m to buy control of Luitpold-Werk, a West German pharmaceutical manufacturer. This was one of the biggest incursions yet by the Japanese medicines industry into the West.

Behind the moves is one central preoccupation by virtually all drugs businesses: the escalating costs of research and development (R&D). These costs, which often account for 10-15 per cent of a company's turnover, are rising

faster than sales, partly because of increasingly onerous development programmes insisted on by government authorities to ensure new drugs are safe.

Another factor is that drug technology is becoming more complex, and therefore more expensive.

In this climate, drugs companies are trying to maximise sales as many countries as possible. In this way, they can gain a greater return for the \$100m which it can cost to bring a new drug on to the market.

That explains the moves towards a concentration of resources in the drugs industry in which large groups merge both their sales and R&D teams. It also underlines the rationale for looser relationships in which companies join forces on specific projects, either in research or marketing.

When Japanese drug groups have in the past had especially promising products, they have generally sold them in the West via licensing deals. In such ventures, a partner with an established sales force in either the US or Europe agrees to market the drugs for a large slice - which may be up to 70 per cent - of total revenues.

But this pattern is changing. All the big Japanese drug groups - Takeda, Sankyo, Tanabe, Fujisawa, Fujisawa and Yamanouchi - are looking increasingly towards establishing their own sales operations outside Japan. That can be done either by hiring people in a step-by-step approach or by taking over existing businesses.

MOVES BY JAPANESE DRUGS GROUPS IN US AND EUROPE

March 1988. Fujisawa buys majority stake in King Pharma, West German drugs company, for \$23m.

December 1988. Sumitomo invests \$10m in Regeneron, US drug company researching neurological products.

March 1989. Yamanouchi buys Shalimar, US vitamin and health-care company, for \$395m.

April 1989. Eisai sets up European sales and marketing base in London.

May 1989. Chugai takes \$3m stake in British Biotechnology, UK biotech company.

October 1989. Eisai opens US drug research unit in Massachusetts.

October 1989. Fujisawa buys Luitpold-Werk, US drugs company, for \$75m.

October 1989. Daiippon signs

joint venture with Rhône-Poulenc of France on marketing Dainippon products in Europe.

November 1989. Chugai buys Gen-Probe, US diagnostics company, for \$100m.

November 1989. Daiichi agrees development project with Chiron, US biotech company.

November 1989. Chugai agrees partnership with Rhône-Poulenc on biotechnology drug.

December 1989. Japanese drugs companies discuss informal European-based association to spearhead moves into Europe.

January 1990. Yamanouchi signs licensing agreement with Microgenics, US company in medical diagnostics.

January 1990. Sankyo pays \$75m for majority stake in Luitpold-Werk, West German drugs company.



Pensions, taxes and the Wimbo factor

By Anthony Harris in Washington

The job of reporting from Washington has become unusually difficult in the last few weeks, because of the invasion of Panama. Perhaps it is envy left over from the days when we could get away with gunboat diplomacy, but I have yet to meet a foreign journalist who regards this exercise favourably.

To outsiders it looks like an absurd military overkill, whose declared objective - the arrest of General Noriega - was surely a breach of international law. If this was the President's attempt to shake of a "wimp image", it failed with us. What we see now is not so much President Rambo as President Wimbo.

However, that is not how it appears to at least 80 per cent of Americans. They strongly approve the Panama action, and that could have an important effect on policy decisions in the next few months. For some time to come, the Democratic whips will probably find it hard to assemble the votes to oppose anything Mr Bush badly wants, or to back any proposal he dislikes.

We will soon know. The budget process gets its official start when the President launches his own proposals next week. They will include a cut in the tax on capital gains, and a new, seemingly half-baked scheme to encourage private saving. Both of these will no doubt pass, despite their lack of any serious merit.

The President's capital gains cut, undermining the level field cleared in 1988, means that tax avoidance, through schemes which substitute capital gains for income, will pay once more (as soon as there are any gains to tax). The consensus among economists is that a loss of revenue is certain, while any gain in real capital formation is at best questionable.

There is a sensible alternative: index capital gains rather than cut the tax on them. This would offer some investment incentive, but no loophole; the idea, however, seems to have got lost in the muddle over this proposal last year; and Mr Bush wants something he can call a cut.

Meanwhile, Senator Daniel Patrick Moynihan has come up with a cut of his own. This would reverse the 1.1 per cent increase in the social security of the last seven years, and put the public provision of retirement incomes on to an openly acknowledged pay-as-you-go basis. This plan

should have enormous partisan appeal for the Democrats, by pushing the President into a corner where he must oppose a tax cut benefiting ordinary wage earners, while stumping up for a capital gains cut.

It is not surprising, then, that the White House initially admitted a fear of a pro-Moynihan "stampede". His proposal is being supported not only by liberals who want to embarrass the President, but by some leading conservative lobbies, such as the Heritage Foundation, which support the proposal on principle. They regard funding as an illusion, and the present use of funds as a fraud.

However, Mr Bush, demonstrating his new decisiveness, has come out squarely against the plan, explaining that it would involve either a rise in other taxes, or a cut in benefits. Thanks to Panama, he may well get away with these half-truths, and check the stampede before it is more than a little restless shuffling.

All the same, the issue is worth a closer look. The principle involved is one that is debated wherever retirement incomes are discussed: can they be "funded" in any real sense, or are they inevitably a charge on the national income available at the time they are paid? To put it another way, how can money taken in tax today generate extra income tomorrow? If we are concerned with the whole economy, rather than with the claims one group can make against another, the answer is clear. Official "saving" can only generate extra income if it is used to finance productive investments which would not otherwise be made.

It is very unlikely that money collected for the US social security scheme would be invested, Japanese fashion, in private sector production, at home or abroad. Indeed, Republicans would resist any attempt to invest in this way as blatant socialism. It is also unlikely that the Republicans would spend it on the infrastructure, which might well do more than the building of new factories to encourage future productivity, though some Democrats might.

Instead, the chances are that the surplus that has now begun to appear in the Fund will be invested purely in Treasury stock (it would need a new law to permit any switch), and deployed

simply to conceal the size of the deficit on the rest of the government's accounts - just as it is being used now.

It ought to be possible to stop this fraud; indeed, the President made a campaign issue of it in 1988. Senator Phil Gramm, a right-wing Republican, once floated a proposal to protect the fund from these raids by re-writing the Gramm-Rudman target which he co-sponsored in terms which excluded the social security balance. The budget director, Mr Richard Darman, has proposed making a similar change once the existing deficit - which includes the social security surplus - is eliminated.

However, the Gramm plan has been opposed by many conservatives on the grounds that it would compel the President to raise taxes to cover the present shortfall, while providing Congress with a huge new pork-barrel of money to spend in the interests of their constituents. The Darman plan to achieve honesty by easy instalments would run in to the same trouble later. These objections are arguments for Moynihan: if Washington cannot be trusted to handle the surplus, then it should not be accumulated in the first place. However, the President will defend the status quo for fear of being forced to raise some other tax. The retired lobby will support it, because its most powerful argument against any attempt to cut pensions or tax them is that they are the fully bought property of the pensioners. The alliance of the victorious President and the grey lobby looks irresistible.

There is one power centre which is not over-ruled by Mr Bush's new clout. The Federal Reserve will do what it sees as its duty, and the White House is already openly grumbling about the high interest rates involved. But will the Fed view change? Governors Wayne Angell and Manley Johnson have both now stated that the only verdict which impresses them is that of the bond market; but as soon as the market learned of this responsibility, it fell a full point. We could be in for a nasty stand-off, while the governors wait for a sign that the market supports their policies against inflation, while the markets wait for the governors to cut rates. Or perhaps policies will resolve this tangled piece of economics too.

Economics Notebook

The land of rising unease

TO THE bemusement of both government and private sector economists, the Japanese economy has recently taken on some of the characteristics of that of a badly managed underdeveloped country. A flight of capital has been driving down the exchange rate and forcing the authorities to increase interest rates in a bid to stave off inflation. The spectre of political instability following next month's general election has also been raised, adding to a general sense of unease.

Of course, the comparison is a ridiculous one. The key difference between Japan and a banana republic is that in Japan the latest economic trends are a function of the economy's extraordinary strength and success rather than any weakness. To wit, the country's industrial companies and investment institutions are so flush with cash that, more and more, they have to look abroad for investment opportunities.

They have been doing so with increasing relish in recent years and, despite the country's massive trade surpluses, they have managed to invest substantially more abroad than they have been earning. Japan's net long-term capital outflow in 1988 was \$130.9bn compared with a trade surplus of \$56bn.

Oddly, although the surplus outflow has existed for a number of years, it has only become a major factor in the foreign exchange markets in the past year.

Until then, Japanese investors, fearing further declines in the dollar's value, hedged their outward investments as much as possible. Last year, they grew more confident about the stability of the dollar and removed most of their forward cover. This had the effect of boosting demand for the dollar and, perversely, weakening the

yen. The Japanese authorities were caught completely off guard by these trends and are still groping for ways to deal with them.

They have been operating on the assumption that the trend of trade flows would underpin a persistent strengthening of the yen which, in turn, would help keep inflation under control in Japan and contribute to the reduction of the country's trade surpluses.

When last spring the value of the yen started to decline, they assumed this was an aberration and responded in the conventional way by tightening monetary policy.

However, by the end of last month, after three rises in the official discount rate in eight months had failed to remove the aura of frailty hovering around the once mighty yen, they were feeling rather sheepish.

That things have not worked out as they expected is perhaps a surprise, but it may turn out to be a salutary one. Both government and private sector economists have probably been too eager in the past to embrace the view that the Japanese authorities have more power than most to make their economic policy wishes become reality.

In fact, as the country's economy in general and the flow of investment funds in particular have become liberalised, the power of the authorities to influence events was bound to fade.

Their transparent failure to control the exchange rate in recent months has undoubtedly contributed significantly to the general sense of unease that has emerged both in Japan and abroad about the prospects for the Japanese economy and financial markets. Indeed, if their moves to try and influence the exchange

rate have proven unsuccessful so far, the rapid rise in interest rates in recent months has begun to have a substantial impact on Tokyo financial markets. The bond market has plunged and this month the Nikkei average of 255 leading shares on the Tokyo Stock Exchange has lost about 5 per cent of its value since the beginning of the year.

Market pundits have raised all sorts of reasons for these slumps - the prospect of political instability in Japan after next month's election, fears about the reform movement in the Soviet Union, worries of heightened trade tension between Japan and the US and these issues are certainly affecting market sentiment.

But most economists believe that the Japanese economy will remain extremely competitive for some years yet and that the decisive factor in today's markets is the enthusiasm of the country's huge institutional investors for overseas investment.

Some suspect this will fade as soon as US interest rates are lowered or it becomes apparent that they will not go lower. Others are more pessimistic, suggesting that these institutional investors have developed very sophisticated techniques for maximising returns by bouncing in and out of various currencies and instruments.

They fear that the Bank of Japan will have to raise domestic interest rates to levels equal to those available abroad to entice money back home. Such a move would, of course, stifle demand unnecessarily, a development which would not please anyone, but may be inevitable in an era when financial market trends can diverge so substantially from economic fundamentals.

Ian Rodger

THIS WEEK

Friday's UK trade figures via with the US gross national product figures for the attention of financial markets this week.

Following last month's improvement in the UK current account deficit, to £1.4bn from £1.7bn in October, analysts are looking to see whether the shortfall will shrink for the fifth successive month in December. However, the consensus of analysts' forecasts prepared by MMS International, the financial research company, points to a slight increase to £1.5bn.

Last week's news of a strong bounce in the pound's value against the dollar in December has prompted fears of a renewed slump in imports. The strength of the Deutsche-mark is not expected to have buoyed up export volumes at this stage. But some analysts believe the current account could benefit from a revival in oil exports.

With markets concerned about slow growth in the US, the GNP figure, also out on Friday, will be closely watched. Analysts are expecting only a fractional rise of 0.4 per cent in the fourth quarter. Natural disasters - Hurricane Hugo, the San Francisco earthquake, and the "cold snap" - have combined with a recent run of weak data and strikes in key industries. Some analysts are predicting even more sluggish growth, and speculating that the Fed might have to ease interest rates.

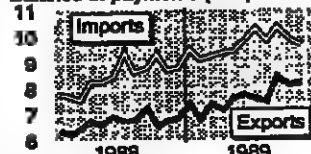
Today, UK industrial production figures for November are expected to point a slowing economy with a 0.1 per cent decline in output by the so-called production industries. These comprise the manufacturing, energy and water sectors. Manufacturing output alone is expected to be flat during the month. Recent Confederation of British Industry surveys have reported a marked drop in output growth expectations, while the underlying rate of manufacturing growth has slowed to around 3 per cent in October from seven at

UK trade balance

Current account deficit (£bn)



Balance of payments (£bn)



1988 1989

the beginning of the year. Accompanying the output data will be the latest estimates of unit labour cost and productivity increases in manufacturing.

West German figures that could give an indication of inflationary trends are likely to include money supply and export and import prices for December. Other events and statistics (with MMS consensus figures in brackets) include:

Today: West Germany, annual economic report.

Tomorrow: US, the federal budget balance for December (\$14bn in deficit). UK, building societies' new commitments for December. East-West economic commission meets.

Wednesday: US, the Federal Reserve publishes its Beige Book for Federal Open Market Committee meeting on February 6 and 7. UK, cyclical indicators for December.

Thursday: US, import and export prices for December. Japan, personal income and consumption for November. US, employment cost index, fourth quarter.

Friday: Japan, industrial production for December. UK current account, minus £1.4bn in November; US durable goods for December (minus 1.5 per cent). UK, engineering sales and orders at current and constant prices for December. UK, quarterly house purchase statistics, fourth quarter.

Norton Opax, Inc.

a subsidiary of

Bowater Industries plc.

has sold R.S. Means Company, Inc. to

Southam Inc.

The undersigned initiated this transaction and acted as financial advisor to Norton Opax, Inc.

Prudential-Bache Capital Funding

INTERNATIONAL CAPITAL MARKETS

BANK LENDING AND COMMERCIAL PAPER

Campeau failures make for caution

THE NEW decade is starting too slowly for the liking of many international bankers, with events conspiring to make prospects for their money-spinning mergers and acquisition lending look poor.

Appetite for anything but the most cautious of leveraged financing is weak among banks, as some are being forced to make provisions for leveraged deals which have gone awry on both sides of the Atlantic. Non-bank investors for new junk bonds have also gone to ground amid well-publicised problems, such as the Chapter 11 filings at Campeau.

Yet stock markets worldwide do not appear to have adjusted to the bearish signals being sent by this and the collapse in the world's long-term bond markets this year. Unless and until that stock market adjustment takes place, it is unlikely that debt-financed bids will be able, except in exceptional circumstances, to provide the premium over stock market valuations necessary to launch bids.

At the least, banks are taking much more care over the structures of such financings in the belief that, in the right circumstances, cautious, well-conceived deals may still work.

The leveraged buy-out financing described last week for Swedish Match is being looked on as a market bellwether, although one which may not be easy to replicate. The \$400m in senior loans, which are protected by nearly \$70m of mezzanine or junior loans, carry in part a relatively generous 2 percentage point interest margin.

The fact that the mezzanine has been placed suggests potential investors have not

completely disappeared.

Swedish Match is also a well-known name among international bankers. Its businesses are generally regarded as mature, suggesting they generate significant cash flow which can be applied to repay debts, and are spread across a number of economies and sectors. In other words, it should be reasonably well protected against difficulties suffered in any one economy.

Outside the leveraged area a number of other corporate deals have emerged, although some were syndicated last year. The West German subsidiary of Solvay of Belgium, for example, signed a DM1.6bn deal last week arranged by Deutsche Bank Luxembourg.

Amerasia Hess is also due to sign this week a \$750m eight-year revolving credit, syndicated last year by Chase Manhattan and Citicorp. Those details which have emerged suggest an eight-year final maturity with repayments starting in 1994. There is a commitment fee of ¼ per cent and an interest rate margin of ½ point, which may rise in certain circumstances to ¾. The funds are essentially to refinance some existing debt.

New to the market is Boise Cascade of the US, which has mandated National Westminster Bank and Bank of America to raise \$750m.

Manufacturers Hanover has syndicated an Ecu65m loan for Sparbanken Sydjylland of Denmark, which looks likely to be increased.

In the sterling commercial paper market The Mortgage Corporation, the UK specialist mortgage lender owned by Salomon Brothers, has after only three months increased the size of a \$150m programme to \$250m. Issuance expanded to \$148m in that period - about 3.5 per cent of the total market - which the company attributes to its flexibility.

NatWest Capital Markets and S.G. Warburg Securities are dealers for the paper, which is guaranteed by Salomon Inc and carries an A1/P1 rating.

Last year's Budget deregulation of the sterling CP market broadened the number of potential issuers significantly.

Stephen Fidler

INTERNATIONAL BONDS

West German trading wallows in pessimistic mood

THE WEST German bond market is holding hard to its pessimism, in striking contrast to the euphoria of the political reception given to liberalisation waves in the East bloc.

In buoyant mood, foreigners have piled money into the thin West German stock market, pushing the FAZ index to its highest level since April 1988. But bonds continue on the steep downwards track which has been their doggedly steady path since early last year.

German bund futures prices have declined precipitously this month to lose 2½ of a point since New Year, breaking through the key technical support of 88.70 last Wednesday. Bunds have picked up 39 basis points in yield to a level of 7.71 per cent.

German bunds are not alone in their steep decline as investors have lost confidence in bond markets around the world this year. The fall in bond prices must also be considered against a background

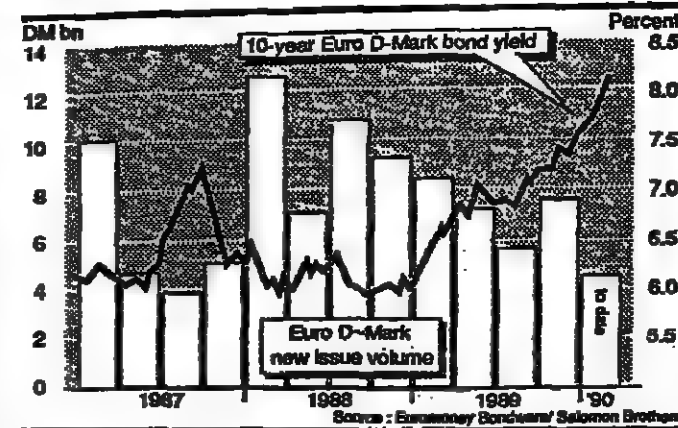
of a 40 to 50 basis-point increase in Japanese bond yields.

However, German investors hold on tight to inflation fears as they persistently construe any news from eastern Europe as bad news for inflation.

The opening up of eastern Europe implies a huge demand for new capital, almost all of which will be financed in West Germany. Add to this the clamour for consumer goods which grips the surge of workers from East Germany to the West and the scene is set for an overheated economy.

Inflation is currently running at 3 per cent in Germany, although worries of medium-term inflation have led to the Bundesbank tightening money supply. The market remains concerned about a half or even 1 per cent rise in interest rates as contract talks with the country's metal workers' union loom in March.

With German money market rates high - the Lombard rate



is at 8 per cent and the discount rate at 6 per cent - few investors are interested in holding bonds. "Although an inverted yield curve is a way of life here, the Germans are not used to it," believes Mr Steven Bell, chief economist at Morgan Grenfell in London. Many German bunds are held by foreigners reluctant to

take a long-term investment stance when world interest rates are so high. West Germany has few investment institutions which will hold on to bonds whatever is happening in the money market.

The German bund market is also dominated by a liquid futures market where technical factors often give the direction.

With a depressed bund market, few foreign investors are interested in holding Eurobond issues given the lack of demand for long-term D-Mark paper. New-issue activity has almost dried up in the German Eurobond sector with the exception of domestic floating-rate issues.

There have been about seven floating-rate issues in Germany this year, the latest of which - a DM500m deal for Ireland - was brought to the market on Friday by Dresdner Bank. Floating-rate paper gives investors a way to keep up with volatile interest rates.

The Bundesbank gave another indication of its tight credit policy last week when it drained DM40m from the banking system, and market players believe it is unlikely to ease until this year's round of wage negotiations are over.

More than half West Germany's wage contracts are up for renegotiation this year with IG-Metall - the metal workers' union - set to kick off with an agreement that is seen as a benchmark throughout the industry. IG-Metall is in a strong position to push its demand for a 9¼ per cent pay rise, accompanied by a shorter working week - which would lead to a 12½ per cent rise in wage costs.

The metal workers exchanged a pay rise in the last round of negotiations - three years ago - for a shorter working week. But they now face employers with bursting order books and strong cash flow.

Employers are not averse to granting higher pay rates than the Bundesbank would like, given their healthy business prospects. But the central bank is trying to keep the benchmark down to between 5 and 7 per cent. It has a difficult job on its hands and bonds could continue to tread a pessimistic path.

Deborah Hargreaves

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
US House Industry	800	1995	5	2½	100	Nomura Int.	2.875
Dalva Bank	100	1995	5	3½	100	Nomura Int.	3.750
Denmark, Kingdom of	100	1995	5	8½	101½	Goldman Sachs Int.	8.432
Tripe Ltd-Series A	42.48	1991	1½	¼	100½	Toyo Trust Int.	-
Dong Ah Con.Am.(A)	50	2004	15	1½	100	Series Bank Corp.	1.280
AUSTRALIAN DOLLARS							
Aegon NV	250	2000	10	Zero	30.45	Bankers Trust Int.	12.685
HONG KONG DOLLARS							
World Bank	500	1996	6	10½	100½	Paribas Asia (1988)	9.036
D-MARKS							
Austrian	700	2005	15	-15bp	100½	Salomon Brothers	-
Swedish Export Cr.(b)	75	1998	3	3	101½	Bankers Trust	2.682
Great Belt A/S(a)	200	2000	10	(a)	100	Morgan Stanley	-
Bk For Econ.Am. USSR	500	1995	5	8½	100	WestLB	8.875
Ireland(a)	500	2000	10	¼	100	Dresdner Bank	-
Bk of Tokyo(Curacao)	120	1995	6	(a)	102	Bk of Tokyo(Germany)	-
SWISS FRANCES							
Kanagawa Electric(a)	70	1995	-	Zero	100	S. della Svizzera It.	-
Mori Steel Spring(a)	35	1994	-	Zero	100	Citicorp Inv. Bank	-
Dalva Bank(a)	75	1994	-	¼	100	SBC	0.280
Kyushu Leasing(a)	75	1994	-	¼	100	Nikko (Switz)/WZ	0.250
Mitsui Bussan(a)	50	1994	-	¼	100	Credit Suisse	0.250
Shiga Bank(a)	200	1994	-	¼	100	Credit Suisse	0.250
Hibiya Eng.(a)	50	1995	-	Zero	100	Dalva (Switzerland)	-
Mitsui Seisaku(a)	40	1994	-	Zero	100	Yamaichi Bk (Switz)	-
Tomita Appare(a)	35	1994	-	Zero	100	Banka del Gottardo	-
Saitama Co.(a)	50	1994	-	Zero	100	UBS	-
Nissan Co.(a)	50	1994	-	Zero	100	Bank Lau	-
Toronto-Dominion Bank	100	2000	-	7	100½	UBS	8.825
Polly Pack Int.Fin.	150	1997	-	8½	100	S.G. Warburg Solicit	8.780
Strom Co.Les.(a)	100	1994	-	Zero	100	SBC	-
ECSC(a)	67.5	1995	-	7½	100½	SBC	7.588
Yokowo Mig.Co.(a)	47	1994	-	¼	100½	Nikko (Switz)/WZ	0.250
Hamburgische LB(a)	80	1997	-	7½	100½	Merrill Lynch	7.211
GMAC Canada(a)	150	1997	-	7½	101½	UBS	7.185
DSL Bank(a)	100	1995	-	7½	100½	Credit Suisse	7.440
City of Montreal	125	2000	-	7½	100½	Wirtschafts-und Privat	7.250
EUROPEAN DOLLARS							
Tokyo Tokio Co.(a)	170	1995	-	1	100	Credit Suisse	1.000
Aoyama Trading(a)	300	1994	-	Zero	100	SBC	-
Moon Bet Co.(a)	70	1995	-	Zero	100	Banka del Gottardo	-
Malaysian Steel Works(a)	150	1995	-	1	100	UBS	1.000
STERLING							
Compagnie Bancaire(a)	200	1995	5	(a)	99.80	J.P. Morgan Secs.	-
British Telecom	250	2000	10	Zero	33.90	Shearson L'man Hutton	11.434
SCUDS							
EIB	500	1997	7	7	100.20	UBS Philips & Drew	9.959
Credit Local de France	125	1995	5	10½	101½	Credit Lyonnais	9.921
LIRES							
Banyo Electric Fin.	100m	1994	4	10	101.46	Banco di Roma	12.517
PESETAS							
World Bank	10m	1995	5	13.46	101	S.Santander de Neg.	13.165
AUSTRIAN SCHILLINGS							
Austria	70m	1995/02	32	-½	100	Raffaelsen Zentralbk	-
LUXEMBOURG FRANCES							
SBS Bank A/S(a)	300	1995	3	9½	100½	BGL	9.282
Wendthavne NV(a)	300	1995	3	10½	101½	Credit Europeen	9.428
Copenhagen Handelsh(a)	300	1995	3	10½	101½	BGL	8.552
Becob Finance NV(a)	300	1995	3	10½	101½	Benque UCL	8.428
YEN							
Mitsui & Co.(H.Kong)	150m	1994	4	10	101½	Bankers Trust Int.	8.483
SBS Bank A/S(a)	2,330m	1995	3½	7½	102	Toyo Trust Int.	6.883
Tripe Ltd-Series H(a)	2,140m	1995	9½	8½	102	Toyo Trust Int.	7.791
Christiana Bank(a)	2,50m	1992	2	8½	101½	Morgan Stanley	8.118
Toronto-Dominion Bank	70m	1995	3	8½	101½	Sunshine Trust Int.	8.277
Tripe Ltd-Series I(a)	11,070m	1991	1½	20bp	100	Toyo Trust Int.	-

EUROMARKET TURNOVER (\$m)

Primary Market	Strights	Conv	FWN	Other
US\$	479.0	73.0	190.0	10,128.6
DM	21.0	1.0	0.0	1,227.9
Other	1,334.7	40.0	522.7	6,627.0
Secondary Market				
US\$	10,902.5	977.9	3,022.2	6,038.4
DM	7,557.9	492.7	2,010.7	6,064.6
Other	19,524.3	1,011.4	2,211.4	43,742.2
Prev	13,653.9	753.7	4,194.0	36,009.3
Call	European	Total		
US\$	10,366.4	22,940.5	32,668.8	
DM	6,719.9	21,024.9	27,732.8	
Other	21,286.7	45,238.7	77,132.4	
Prev	22,021.7	46,221.8	74,265.3	

Week to January 15, 1990

Source: AIB

This announcement appears as a matter of record only.

Super Club Retail Entertainment Corporation

a subsidiary of



Super Club N.V.

\$25,000,000 Acquisition Facility

The undersigned underwrote the full amount:

The Chase Manhattan Bank, N.A.

November 1989



Cilva Holdings PLC

a consortium composed of

Lease International S.A.

General Motors Corporation

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial advisers to Cilva Holdings PLC

Lazard Brothers & Co., Limited

Lazard Frères & Co.

January 1990

INTERNATIONAL CAPITAL MARKETS

Tele-Communications plans new unit for asset transfers

By Janet Bush in New York

TELE-COMMUNICATIONS, the largest US cable television company, said late last week it was planning to spin off into a separate company most of its programming interests, some of its cable television systems, and other businesses.

The move was widely expected on Wall Street because of pressure from Washington, where there is a growing lobby of Congressmen concerned about the size of some cable companies following the industry's deregulation three years ago.

Tele-Communications serves about 25 per cent of US cable television subscribers. There are various bills being discussed in Congress which

would force the company to reduce that share.

Mr John Malone, chief executive officer, said the purpose of the restructuring was to create a growth vehicle for shareholders, unencumbered by potential regulatory constraints.

The company's share price has for some time been considered undervalued and last November sunk with other cable stocks because of fears of deregulation.

Tele-Communications "A" shares trading in the over-the-counter market closed 8 1/2% higher at \$17 1/2 on Friday. Analysts have put the fair value of the stock at about \$36 a share.

Full details of the spin-off

have not been finalised, including exactly which assets will be included in the new company. Among the interests likely to be transferred are a 32 per cent stake in Turner Broadcasting System, which includes common and preferred stock valued at about \$60m.

Initially the company will have the same shareholders as Tele-Communications and may have many of the same officers and directors, which could pose a potential problem.

In its brief statement the company said the spin-off was subject to various factors, including "its consistency with the evolving regulatory environment."

Kellogg slips for first time in 37 years

By Janet Bush

KELLOGG, the US convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net earnings for 1989, described by its chief executive officer as a difficult year.

Unaudited net earnings, before a substantial credit due to a change in accounting practice, totalled \$422.1m against \$480.4m in 1988. Implementation of a new accounting rule meant a one-off credit of \$48.1m, boosting 1989 earnings to \$470.2m. However, this was still 2.1 per cent below 1988 earnings.

Mr William LeMotte, chairman and chief executive officer, said that sales volumes of ready-to-eat cereals continued to run below expectations in the fourth quarter.

We experienced a very difficult year and are disappointed that, after 37 years of increased earnings, our record was broken," he said. Net sales for 1989 were \$4.65bn, up 7 per cent from \$4.35bn a year earlier.

Fourth-quarter earnings totalled \$57.9m or 47 cents a share, down 42.6 per cent from the same quarter a year earlier. Fourth-quarter sales were \$1.08bn compared with \$1.09bn in the year-earlier period.

Earnings in the final quarter were depressed by a one-off charge of \$10m relating to the costs of cutting staff and the closure or sale of certain operations and related assets.

President of Doubleday quits

By Alan Friedman in New York

MS Nancy Evans, the 39-year-old president of Doubleday, the leading US book publisher owned by West Germany's Bertelsmann group, has resigned suddenly after less than three years in the job.

Ms Evans is to be replaced by Mr Stephen Rubin, the publisher and editor-in-chief of adult books at Bantam Books.

Her departure comes only two months after Mr Alberto Vitale left his post as chief executive of Doubleday's parent - Bantam Doubleday - to become chairman of Bantam House, the biggest US book publisher that is controlled by Mr S.I. Newhouse, the media mogul who also owns the Condé Nast chain of publications.

It was the Italian-born Mr Vitale who hired Mr Evans in 1987 as part of his drive to revitalise the flagging Bantam Doubleday business.

Ms Evans' resignation has fuelled talk in New York publishing circles that Bertelsmann, which bought Doubleday three years ago, is unhappy with the company's profitability.

Hyundai Motor in global issue

By Martin Dickson

HYUNDAI Motor, South Korea's biggest car maker, is to issue \$70m of bonds with equity warrants on the international capital markets.

It is only the second equity-linked international issue by a Korean company. The issue will be lead managed by CS First Boston, Davis Securities and Hyundai Securities.

Charge tips LSI Logic into red

By Louise Kehoe in San Francisco

LSI LOGIC, the leading US producer of application specific semiconductors, recorded a loss last year after taking a charge for the restructuring of its manufacturing operations.

The chipmaker's net shortfall of \$88m, compared with net income of \$29m or 60 cents per share in 1988, stemmed from a pre-tax third-quarter charge of \$43m associated with the restructuring.

Revenues for the period reached a record \$547m, up 44

per cent from \$376m in 1988.

In the fourth quarter the payment of net interest expense offset operating gains to produce a net loss of \$17m or 4 cents, compared with income of \$3.3m or 13 cents in the year-earlier period. Revenues in the quarter were \$138.4m, up 16 per cent from \$119.4m.

Mr Wilfred Corrigan, chairman and chief executive, said: "The past year started off well, but a summer slowdown in

orders prompted the company to work off older, less efficient manufacturing capacity and reduce operating expenses.

"The worst is behind us," Mr Corrigan added. LSI Logic's revenues resumed growing, inventories dropped 9 per cent, manufacturing utilisation increased, and all the group's biggest factories were capable of producing cost-efficient six-inch wafers.

Second-quarter loss at Cetus deepens to \$16m

By Louise Kehoe

CETUS, one of the leading US biotechnology companies, reported heavier than expected losses for its second fiscal quarter.

Expenses were increased partly by efforts to build sales, marketing and manufacturing operations for its first proprietary product, Proleukin, a genetically engineered form of interleukin-2 which has been approved for use as a cancer fighting drug in some parts of Europe.

Costs related to the San Francisco Bay Area earthquake in October and to the acquisition of two new products also boosted expenses.

The company posted a net loss of \$15.3m for the quarter ended December 31, against a net loss of \$11.8m a year earlier. Revenues increased by almost 50 per cent to \$8.96m from \$5.9m.

Higher fuel prices slow Delta Airlines earnings

By Janet Bush

DELTA AIRLINES, the Atlanta-based US carrier, said that higher fuel prices and weaker than expected traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its fiscal second quarter.

Net income fell to \$64.2m or \$1.13 a share in the quarter ended December 31 from \$85.2m or \$1.73 a year earlier. Delta's share price edged 1/2% higher to \$66 1/2 last Friday as the sharp drop in earnings had been widely expected on Wall Street. The company warned investors earlier this month that it would not match the results of a year ago.

The poor performance in the final three months of 1989 was in stark contrast to the previous three-month period, when Delta produced a 33 per cent jump in net income. The carrier was helped partly by turmoil at its rival, Eastern Air Lines, which filed for Chapter 11 bankruptcy protection early last year.

Revenues for the second quarter totalled \$2.05bn compared with \$1.86bn a year earlier.

For the first six months of the fiscal year, Delta earned \$3.65 a share compared with \$3.76 in the same period a year ago. Net income for the six months totalled \$1.97bn compared with \$1.85bn, on revenues of \$4.22bn from \$3.74bn.

Turnover at Euroclear climbs 15%

By Martin Dickson

EUROCLEAR, one of the two international securities clearing houses which dominate the Euromarkets, increased turnover to \$3.358bn last year, up 15 per cent on 1988.

It said the figures - which give a pointer to the overall level of Euromarkets trading - showed volumes increasing across all types of instrument and currency.

Euroclear is thought to handle about two thirds of the world's internationally traded securities. It was established in 1988 to deal with the expanding Eurobond market but has branched out into many other areas, including international equities, and now clears and settles transactions in more than 31,000 securities and 27 currencies. It is owned by leading users of the system and operated under contract by Morgan Guaranty.

The value of securities held for Euroclear participants in 1989 was \$782bn, up 33 per cent on the previous year. The number of settlement instructions processed rose nearly 16 per cent to more than 7.7m. Participants in the system increased by 3 per cent to 2,528.

However, the average daily value of loans in the system - a means of putting together lenders and borrowers of securities when an expected delivery of paper is held up - fell 4 per cent to \$2.3bn.

Euroclear said this was because of an increase in the efficiency of the settlement system had reduced the need for borrowing and lending.

Mr Thomas Ketchum, general manager of the system's operations centre, noted that domestic instruments represented 30 per cent of turnover last year, almost double that of 1987.

Rifts still undermine new BBV chief

Peter Bruce on an urgent need for unity at the big Spanish bank

The Spanish press carried two pieces of banking news on Saturday. The first was that Mr Mariano Rubio, the Governor of the Bank of Spain, named Mr Emilio Ybarra y Churruarín president of Banco Bilbao Vizcaya (BBV), the country's biggest bank after its board had been unable for more than a month to resolve its leadership crisis.

The second piece of news was that one of BBV's rivals, Banco Santander, increased its deposits between August and November by nearly 60 per cent to Ptas8.7bn (\$3.29bn), 20 times faster than any of its Spanish competitors.

The Santander news was more important. Its decision last summer to offer interest on current accounts marked out the battleground for Spanish banks - namely new retail products and services. Not one of the country's Big Seven has yet struck back.

At BBV this will now be Mr Ybarra's main task. Since Banco de Bilbao and Banco de Vizcaya merged in 1983, analysts have been waiting to see what the fruits of the marriage would be. They were two of the strongest banks in the country; together they should have been invincible.

Instead, personal rivalries between Bilbao and Vizcaya executives, most of whom had

studied at the Jesuit Deusto University in Bilbao, and conflicting management styles have prevented BBV from being anything more than two institutions stuck together in haste. They have given little to each other.

The weaknesses came to the fore on December 12 when Mr Pedro Toledo, the former Vizcaya president and, with his Bilbao colleague, Mr Jose Angel Sanchez Asain, co-president of BBV, died suddenly in the US. The old Vizcaya board - exactly half the BBV board - tried to name a new co-president. Mr Asain and his Bilbao team, probably correctly, said the co-presidency was not working and insisted on a single leader.

That row continued until Friday night when Mr Rubio stepped in. The fact that the leaders of Spain's most prestigious financial institution, the one dreamed up to lead the country's challenge to big European competitors after 1982, were incapable of agreeing on how to govern themselves has stunned locals and the international banking community alike.

If the past month is any guide, Mr Rubio's solution is far from perfect. Mr Ybarra is a Bilbao man, son of a wealthy Basque family and BBV's biggest individual shareholder.

Below him, Mr Rubio appointed a former Vizcaya man, Mr Alfredo Saez, as first vice president in charge of banking, regional subsidiaries, consumer services and personal. A second vice president, Mr Javier Garrido, from the old Bilbao bank, takes control of BBV's industrial holdings. Banco Commercio, stock broking and asset management and, contrary to Mr Rubio's dictat, the group's insurance companies.

For Vizcaya personnel, that makes it two to one against them at the top and there is no doubt the old concerns of being excluded from power after Mr Toledo's death will linger for as long as it takes Mr Ybarra to prove conclusively that the fears are unfounded.

Given the predominant role of old friendships in Spanish business, that could be a long time. Mr Ybarra, whose family has strong links with both the merged partners, will need to call on all his resources as a conciliator to calm the board.

Mr Rubio's insistence that 10 of BBV's 38 board members leave and that five neutral directors be appointed might help, as might the resignation of Mr Asain as the surviving co-president.

Mergers among big Spanish

banks was his idea initially, but he had wanted to take over a weaker bank and proved incapable of dealing with an equally vigorous partner in the form of Vizcaya.

Mr Rubio wanted him to stay but probably knew, as Mr Asain finally conceded, that he had to go.

BBV, which has provisionally reported a 20 per cent rise in profits to Ptas145bn for last year, starts operations today for the first time as a truly single bank. Whether it will be a good one remains to be seen. The omens are not happy.

If the challenges of an open European market after 1992 are as important as the bank's leaders always claim, then they have lost 18 months through infighting and publicly badmouthing each other.

The only crucial advantage Spanish banks have over their European rivals is in local retail banking. Fee-earning business is new and the foreign competition is only just getting started.

The costs of holding on to Spanish executives capable of making headway in new businesses is enormous. And as Banco Santander is demonstrating, the old retail customers - or at least the ones with any money - are in no mood to wait for their banks to catch up with the times.

ACCEPTANCE FORMS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES, NEW CHANGE, LONDON, EC4M 9AA NOT LATER THAN 12.30 P.M. ON WEDNESDAY, 7TH FEBRUARY 1990, OR AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 6TH FEBRUARY 1990.

OFFER OF CONVERSION TO HOLDERS OF 92 per cent CONVERSION STOCK, 2001 TO CONVERT INTO 10 per cent TREASURY STOCK, 2001

Application will be made to the Council of The International Stock Exchange for 10 per cent Treasury Stock, 2001 issued as a result of this conversion to be admitted to the Official List.

1 THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to invite holders of 92 per cent Conversion Stock, 2001 to convert all or part of their holdings into 10 per cent Treasury Stock, 2001 as on 10th February 1990 at the rate of £98.55 nominal of 10 per cent Treasury Stock, 2001 per £100 nominal of 92 per cent Conversion Stock, 2001.

2 Holders who do not wish to convert any part of their holding should do nothing.

3 Registered holders of 92 per cent Conversion Stock, 2001 at the close of business on 8th January 1990 who exercise the option to convert as on 10th February 1990 will receive the interest payment due on 10th February 1990. Interest at the rate of £5.3873 per £100 nominal of 10 per cent Treasury Stock, 2001 will be paid as on 26th August 1990 in respect of Stock issued as a result of the conversion.

4 Conversion will be into registered stock of 10 per cent Treasury Stock, 2001 which, subject to the provisions contained in this notice, will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectus dated 11th October 1985. Holders of 92 per cent Conversion Stock, 2001 in respect of which the conversion option is exercised will be surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them except the right to receive the interest payment due on 10th February 1990.

Method of acceptance

5 Copies of this notice and acceptance forms for completion are being sent by post to holders of 92 per cent Conversion Stock, 2001. In the case of joint accounts, the forms are being sent to the first of the holders whose registered address is in the United Kingdom (or, if none has such an address, to the first-named holder). Holders who wish to convert all or part of their holdings should complete the acceptance form. Stock resulting from this conversion may be added to existing holdings of 10 per cent Treasury Stock, 2001.

6 Completed acceptance forms with stock certificates must be lodged at the Bank of England, New Issues, New Change, London, EC4M 9AA not later than 12.30 P.M. ON WEDNESDAY, 7TH FEBRUARY 1990, or at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 6TH FEBRUARY 1990. The Bank of England will acknowledge receipt of acceptance forms.

7 In the case of stockholders who are members of the Central Gilts Office (CGO) Service, completed acceptance forms must be lodged at the Bank of England, Central Gilts Office, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than 12.30 P.M. ON WEDNESDAY, 7TH FEBRUARY 1990.

8 If a holder wishes to convert but cannot obtain an essential signature or document by 7th February 1990, the acceptance form, completed so far as possible, should be lodged in accordance with paragraphs 6 or 7 above, accompanied by a letter from a bank, solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give effect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fax numbers 01-601-3298 or 01-601-8432) quoting brief particulars to identify the account and specifying the amount of 92 per cent Conversion Stock, 2001 to be converted; this should be followed without delay by a completed acceptance form and the certificates.

Arrangements for conversion

9 Up to and including 9th February 1990 holdings in respect of which the conversion option has been exercised will be described on the register as 92 per cent Conversion Stock, 2001 "Assented"; and from 12th February 1990 until 24th July 1990 new holdings of 10 per cent Treasury Stock, 2001 issued on conversion will be described on the register as 10 per cent Treasury Stock, 2001 "A". Certificates for the new holdings of 10 per cent Treasury Stock, 2001 "A" will be issued as soon as possible after 12th February 1990.

10 Up to and including 7th February 1990, CGO account balances in respect of which the conversion option has been exercised will be described as 92 per cent Conversion Stock, 2001 "Assented"; and from 8th February 1990 until 20th July 1990 balances in respect of 10 per cent Treasury Stock, 2001 issued on conversion will be described as 10 per cent Treasury Stock, 2001 "A".

11 Transfers of 92 per cent Conversion Stock, 2001 for which stock transfer forms are lodged for registration up to 12.30 p.m. on 7th February 1990 will carry the option to convert into 10 per cent Treasury Stock, 2001 as on 10th February 1990. Stock transfer forms will be accepted for certification in respect of 92 per cent Conversion Stock, 2001 until normal deadlines for certification on 7th February 1990 but they will not carry the option to convert unless they are relogged for registration by 12.30 p.m. that day.

12 Stock transfer forms will be accepted for certification in respect of 92 per cent Conversion Stock, 2001 "Assented" until normal deadlines for certification on 7th February 1990 but they must be relogged by the normal deadlines on that day if registration in the same form is desired. Stock transfer forms in respect of 92 per cent Conversion Stock, 2001 "Assented" lodged for certification on 8th and 9th February 1990 will be certified in that form; on the lodging of such transfers for registration the transferees will be registered as holders of the appropriate amounts of 10 per cent Treasury Stock, 2001 "A". Transfers of 92 per cent Conversion Stock, 2001 "Assented" lodged for registration or certification should be accompanied by the Bank of England's acknowledgement of the receipt of the acceptance form or, if the acknowledgement has been lodged with an earlier transfer of the Stock, by the receipt issued for that transfer.

13 The interest due on 26th August 1990 will be paid separately on holdings of the existing 10 per cent Treasury Stock, 2001 and on holdings of 10 per cent Treasury Stock, 2001 "A" at the close of business on 24th July 1990; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of existing holdings of 10 per cent Treasury Stock, 2001 will not be applied to the payment of interest due on 26th August 1990 on holdings of "A" stock.

14 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 92 per cent Conversion Stock, 2001 will be applied to the new holding of 10 per cent Treasury Stock, 2001 "A". Similarly, where instructions have been given by the Inland Revenue authorities for interest on the holding of 92 per cent Conversion Stock, 2001 to be paid without deduction of income tax, the instructions will be applied to the new holding of 10 per cent Treasury Stock, 2001 "A".

15 Transfers of 10 per cent Treasury Stock, 2001 "A" may be lodged at the Bank of England for registration in that form up to 20th July 1990. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 10 per cent Treasury Stock, 2001. From the opening of business on 25th July 1990, the "A" stock will be amalgamated on the register with 10 per cent Treasury Stock, 2001. CGO account balances will have been amalgamated from the opening of business on 23rd July 1990.

16 Her Majesty's Treasury have directed that Section 471 of the Income and Corporation Taxes Act 1988 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities arising from this offer.

Particulars of the issue of 10 per cent Treasury Stock, 2001

17 The prospectus for 10 per cent Treasury Stock, 2001 dated 11th October 1985 included the following provisions:

- (i) The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. The principal of and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
- (ii) The Stock will be repaid at par on 26th February 2001.
- (iii) Interest is payable half-yearly on 26th February and 26th August. Income tax is deducted from payments of more than £5 per annum. Interest warrants are transmitted by post.
- (iv) The Stock is registered at the Bank of England or at the Bank of Ireland, Belfast, and is transferable. In multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1983. Transfers are free of stamp duty.

Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant secondary legislation.

18 Additional copies of this notice, the particulars of 10 per cent Treasury Stock, 2001 and forms for the acceptance of the conversion offer may be obtained at the New Issues Counter, Bank of England, New Change, London, EC4M 9AA; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU; or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyné Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

19 Members of the Central Gilts Office Service may obtain further guidance about the arrangements set out above in relation to their accounts by contacting the Central Gilts Office, Bank of England.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 28th May 1988 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 10 per cent Treasury Stock, 2001 is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND

LONDON

19th January 1990

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MACKINTOSH S.A.
(NESTLE GROUP)

has sold

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the Holding Company
of the Group
CANDICE MARTIAL
and
DE NEUVILLE S.A.

ROWNTREE
MACKINTOSH S.A.
has been advised by

BANEXI

PERUGINA S.R.L.
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CHOCOLAT
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BANEXI

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bush initiates a policy tug-of-war

IF President George Bush really wants the Federal Reserve to ease its credit policy then he is going about securing this goal in the most peculiar way.

Last week the White House twice broke with its general rule of not criticising Fed policy, and the consensus view on Wall Street was a mixture of mirth and bewilderment.

"We aren't trying to tell the Fed what to do," said Mr. Martin Fitzwater, the White House spokesman, "but we have always said we would like lower interest rates."

And if anyone was left in doubt, he added that a 0.4 per cent rise in the Consumer Price Index (CPI) for December "indicates inflation is low and under control."

Mr. Fitzwater, a jovial hold-over from the Reagan era who likes to collect hats in his spare time, was jawboning on Thursday following market-moving statements from a couple of influential Fed governors.

These were taken by the market to mean they would not support further easing in monetary conditions.

But given the market's behaviour on Thursday, Mr. Fitzwater might just as well have been talking through one of his many hats.

Mr. Manuel Johnson, vice chairman of the Fed, and Mr. Wayne Angell, a plain-spoken governor, were both quoted last Thursday as indicating they did not fear recession so much as a rise in inflation which, at 4.6 per cent, is still stubbornly high.

The effect of their remarks, which imply that there will be no easing of Fed policies at the next Open Market Committee meeting on February 6, sent the benchmark 30-year Treasury bond down sharply by 14 points, producing a yield of 8.34 per cent, the highest since June of last year.

The bonds, clearly oversold, recovered a little ground on Friday trading, to close at 98 and yielding 8.30 per cent. However, this was at least partly the result of a decline in Japanese yields.

Mr. Bush jumped into the fray on Friday, telling an audience of housebuilders in Atlanta that mortgage rates of 10 per cent, and interest rates generally, had to be reduced to spur the economy.

The tug-of-war between the President and the Fed continued in Chicago, where an irritated Mr. Angell was even more explicit in his determination not to ease Fed credit policy.

"Good monetary policy, Mr. President, will give you the low interest rates you eventually want to see," he declared. Mr. David Hale, chief economist at Kemper Financial Services, summed up the sentiment of many by terming the President's outburst "counter-productive."

After all, it was Mr. Alan Greenspan, Fed chairman, who last year pointed out on Capitol Hill that jawboning by the Administration for lower rates could well have the effect of forcing the Fed to postpone any moves to ease rates in order to preserve the market's faith in its independence.

At Nikko Securities in New York, chief economist Mr. Robert Brusca said that if the President wanted to speak with the Fed he should have a breakfast meeting and do so in private.

In last week's tug-of-war, quipped Mr. Brusca, the Bush Administration apparently "forgot that the Fed has the ability to cut the rope and let the President fall on his posterior."

The clash, of course, highlights the continuing US debate about the general state of the economy. After a 2.9 per cent growth rate in the third quarter, most estimates suggest the economy will have grown by only about 0.5 per cent in the last quarter of 1989 and will grow by less than 1 per cent in the first three months of this year.

Is a recession coming? Perhaps not, but certainly there are pockets of recession, most notably in a few key manufacturing sectors and in housing. And as the corporate results season got under way last week the profits trend was looking distinctly lacklustre.

A most unusual outburst was heard from Caterpillar, the leading construction machinery maker, which forecast an outright recession and went out of its way to blame the Fed for the difficult conditions faced by US industry. In the aerospace industry, which should mirror US strength, Boeing said it was to lay off 5,000 workers.

Fedwatchers in the bond market believe the consensus view at the Fed is that the economy may be bottoming out and that the risk of higher inflation is now greater than that of recession.

Having steepened markedly the previous week, the yield curve's flattening out last week - to an 11 basis point differential between the two-year and 30-year Treasury bonds - may suggest the market is more sanguine about the Fed laying greater stress on fighting inflation.

Mr. Bush and his political advisers, meanwhile, want to avoid anything resembling recession ahead of this November's mid-term Congressional elections. Hence the rather desperate Fed-bashing antics of last week.

The Administration's pressure on the Fed will almost certainly backfire in the short term, thus putting off an easing of credit policies to a FOMC meeting of March 27 at the earliest. There is far more to extending the business cycle than the occasional presidential speech.

While the skirmish in Washington grabbed headlines at the end of the week, almost everyone forgot the melodramatic corporate bankruptcy of last Monday.

This was the long-awaited filing of Chapter 11 for Mr. Robert Campeau's Federated Department Stores and Allied Stores, the retail chains burdened by a combined debt of \$7.5bn, more than a quarter of it built on high-yielding junk bonds.

Junk bond junkies had already done their worst: however, the market had discounted the Campeau crisis so well that few significant price falls occurred.

One exception was Ralph's Grocery, a healthy subsidiary of the Toronto-based Campeau Corporation, which may pay for the financial follies at Federated and Allied.

Fears that Ralph's may end up having to shoulder the heavy tax liabilities of Federated and Allied sent the grocery chain's 14 per cent senior subordinated debentures tumbling five points on Friday to close at 81 - and this only a week after the bonds had been trading at 97.

All in all it is becoming harder to say which way the greater bonfire, the political vanity of Mr. Bush or the con-sequences of the junk bond boom of the 1980s are under way.

Alan Friedman

UK GILTS

Poor data push yields toward 11%

THE gilt-edged market showed signs of its old self last week, reacting like a shock absorber to poor economic data. Yields on long-dated gilts hit 10.51 per cent and the market ended the week with the distinct feeling that 11 per cent might be breached before lower yields are seen.

A combination of technical and economic factors explain the weakness of the market. Thursday's earnings figures were disappointing for what they showed about whole-economy productivity and unit costs in the third quarter of last year.

Since the beginning of 1987 unit costs in the UK have nearly trebled while productivity growth has fallen from 3.2 per cent to just 0.6 per cent. Margins will have to be squeezed further, prices must rise, or employers will have to cut manning levels.

Signs are that all three are happening. The 17,100 fall in seasonally-adjusted unemployment in December was encouraging. But it will probably take months before figures begin to show a rise in unemployment and that will be too late to affect the outcome of the current wage round.

Industry will soon be looking to increase prices if past pricing is followed. The underlying rate of inflation, currently 6.1 per cent, may edge up.

The other key figure released last week was the public sector borrowing requirement for

December. This raised doubts about the Treasury's ability to achieve its revised PSBR surplus of £12.5bn this financial year. The surplus in the first nine months was just £3.7bn, leaving £8.8bn to be racked up in the January to March period.

There has been a surplus in the first quarter of every year since 1985, the highest being £5.8bn in 1988. Not too many in the market think the surplus will be 50 per cent higher this quarter than it was a year ago.

The PSBR is composed of three elements: the Government's central government borrowing requirement, CGBR(O); the local authorities' borrowing requirement; and the public corporations' borrowing requirement. All three deteriorated to much the same extent during the April to December period last year.

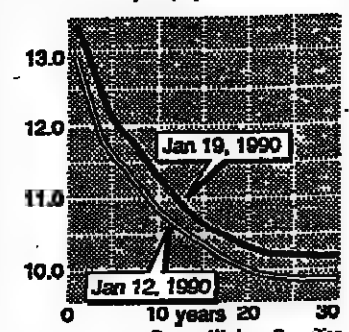
The CGBR(O) was added by £3.4bn, the PCBR by £1.5bn and the LABR by just £200m. The reason for the overshoot has little to do with revenue. In the first nine months of the financial year, inland revenue receipts were 15 per cent ahead of the same period in 1988/89 while customs and excise receipts were 6.5 per cent higher.

Corporation tax receipts are expected to be huge in January, as the Bank of England's gloss to Friday's money numbers underlines.

Increased spending is the main reason for the overshoot

UK gilts yields

Revised at par (%)



Source: Walling Securities

high levels of gross capital expenditure," to quote from the Autumn Statement. So far this has been small.

The local authorities have repaid £460m of debt against £550m for the same period in 1988/89. But their borrowing shot up in December and it is possible this might stay buoyant, and even turn to a full-year deficit, as they raise funds ahead of new and tighter capital spending guidelines due in April.

All of the above factors more than explain why the PSBR is larger today than it was a year ago. Few would appear to be permanent or reflect slower economic growth, with the possible exception of the PCBR.

The local authorities come under tighter control in April, the Green Dwyer was a one-off and personal pension take-up may not be as large in the future as it has been.

The above factors are probably strong enough to override buoyant revenue growth. By the end of February the PSBR could well be showing a surplus of £12bn or more.

But March is historically a strong deficit month, which could leave the PSBR registering a surplus of £10bn or less.

The current numbers appear to be of dubious value in looking to 1990/91. The market is figuring that the 1989/90 surplus will be the 1989/90 result minus X. It may be surprised.

Simon Holberton

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month high	12-month low
Fed Funds (weekly average)	8.13	8.13	8.50	9.92	8.00
Three-month Treasury bill	7.98	7.72	7.88	9.11	7.20
Six-month Treasury bill	8.12	7.98	8.12	9.11	7.20
Three-month prime CD	8.12	8.12	8.40	10.35	8.10
30-day Commercial Paper	8.10	8.10	8.10	9.65	8.05
90-day Commercial Paper	8.10	8.03	8.32	10.05	8.13

US BOND PRICES AND YIELDS (%)

	Last Fri	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	98 1/8	-1/8	8.20	8.06	7.80
20-year Treasury	102 1/8	-1/8	8.27	8.17	7.97
30-year Treasury	99 1/8	-1/8	8.34	8.17	7.87

Source: Salomon Bros (estimates)

Money supply: In the week ended January 8, seasonally adjusted M1 fell \$11.7bn

NRI TOKYO BOND INDEX

	12/1/89	12/15/89	12/15/89	12/15/89	25 wks ago
Overall	143.47	6.85	145.45	148.87	148.83
Government Bonds	141.56	6.49	144.58	148.76	148.63
Municipal Bonds	144.89	5.96	146.63	149.39	150.46
Non-government Bonds	147.01	6.99	149.63	151.17	152.65
Bank Deposits	140.01	6.99	140.34	142.69	142.75
Corporate Bonds	148.16	6.99	148.34	150.69	151.75
Yen-denominated Foreign Bonds	153.34	7.00	156.27	157.50	158.52
Government 10-year	6.26		6.01	5.30	5.07

Source: Nomura Research Institute

The bond market from Genesis to Revelations



1990 International Bond Manual

It's not exactly the lightest reading since the Dead Sea Scrolls.

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THE COMPUTER MARKETPLACE Will appear every THURSDAY

FINANCIAL TIMES

FOR ALL INFORMATION TELEPHONE

Simon Enefer
01 873 3503 or
01 407 5755. Fx 01 873 3079

Cydsa To the Holders of Floating Rate Notes of CYDSA, S.A.

Due 1988-1991:

PLEASE TAKE NOTICE, that CYDSA, S.A., a corporation organized and existing under the laws of the United Mexican States, intends to offer pursuant to an Offer Letter dated January 22, 1990, to redeem the U.S. \$25,000,000 Floating Rate Notes due 1988-1991, and issued pursuant to a First Supplemental Indenture dated as of February 5, 1985 between CYDSA, S.A. and First Interstate Trust Company of New York, as Successor Trustee, as supplemented by a Second Supplemental Indenture dated as of August 30, 1985 and a Third Supplemental Indenture dated as of March 25, 1988. To accept the Offer (once it is made), the Form of Acceptance should be executed and delivered in accordance with the instructions in paragraph 3 of the Offer Letter on or before January 23, 1990. Holders may obtain a copy of the Offer Letter on January 23, 1990 from Royal Bank of Canada, London, 71 Queen Victoria Street, London, England EC4V 4DE, Attention: Agency Department or First Interstate Trust Company of New York, One Exchange Place, 25 Broadway, 4th Floor, New York, New York 10006, as Successor Trustee.

TDK CORPORATION CD's

The undersigned announces that as from 29 January 1990 at Kas-Academie N.V., Spoorstraat 172, Amsterdam, the following CD's of the TDK Corporation will be payable with Dfls. 25.50 net per CD, repr. 100 shs. and with Dfls. 23.50 net per CD, repr. 1,000 shs. (no-date 20.50/85 gross Yen 21/- paid) Yen 315/- = Dfls. 4.12 per CD, repr. 100 shs. Yen 4,200/- = Dfls. 41.58 per CD, repr. 1,000 shs. Without an Affidavit 20% Jap. tax = Yen 420/- = Dfls. 4.12 per CD, repr. 100 shs. Yen 4,200/- = Dfls. 41.58 per CD, repr. 1,000 shs. will be deducted. After 31.03.90 the div. will only be paid under deduction of 20% Jap. tax. Div. Dfls. 22.12, Dfls. 221.50 net per CD, repr. 100 shs. and 1,000 shs. each, in accordance with the Japanese tax regulations.

Amsterdam, 16 January 1990

AMSTERDAM DEPOSITORY COMPANY N.V.

CORRECTION NOTICE

CVAS 9 LIMITED

U.S. \$60,000,000

Secured Floating Rate Notes due 1993

Interest Rate 5.50% p.a. Interest Period January 18, 1990 to July 13, 1990 (Interest payable per US\$100,000 Note US\$2.1975)

January 22, 1990, London

By CIBC Mellon, L.S.D. (Sole Agent Bank)

FT/AIBD INTERNATIONAL BOND SERVICE									
US DOLLAR									
Symbol	Yield	Price	Change	Symbol	Yield	Price	Change	Symbol	Yield
US TREASURY	100	100	100	US TREASURY	100	100	100	US TREASURY	100
US GOVERNMENT	100	100	100	US GOVERNMENT	100	100	100	US GOVERNMENT	100
US CORPORATE	100	100	100	US CORPORATE	100	100	100	US CORPORATE	100
US MUNICIPAL	100	100	100	US MUNICIPAL	100	100	100	US MUNICIPAL	100
US INTERNATIONAL	100	100	100	US INTERNATIONAL	100	100	100	US INTERNATIONAL	100
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UK COMPANY NEWS

Ashes to ashes at Dominion International

Clay Harris explains why the group's shareholders are unlikely to recover any of their investment

THE APPOINTMENT of an administrator at Dominion International, due to be made officially today, means the financial services and property company will soon be dead in its present form.

Among the certain losers are Dominion's shareholders who are unlikely to recover any of their investment.

As recently as September 21, when Dominion shares were suspended at 50p, the company was valued at £88.5m. But Mr Carl Openshaw, who was appointed managing director last summer, said yesterday: "What is absolutely clear is there will be nothing for shareholders."

Having despaired of finding any other way out, Dominion's resignation-depleted board is backing the request by Royal Bank of Scotland, the company's lead bank, for an administrator to be appointed.

Administration, a step short of receivership, allows creditors to protect their position without jeopardising the survival of profitable operations.

Royal Bank opted for administration after rejecting a proposed rescue package supported by investors speaking for about 20 per cent of Dominion's shares. Two of those shareholders, former Dominion director Mr Rupert Galliers-Pratt and Mr Roy Richardson, said yesterday they would welcome investigations of the company's affairs by the Serious Fraud Office and the Department of Trade and Industry.

With their respective brothers, Mr Galliers-Pratt and Mr Richardson said they were

considering taking legal action against whoever was found responsible for the company's state of affairs. Together, the four men stand to lose more than £10m from Dominion's demise.

Dominion will now inevitably be broken up - with buyers being sought for profitable subsidiaries such as Transnational, a US-based small-ticket leasing company, and Film Finance, world leader in providing completion guarantees for cinema and television productions. But the effort to assign blame for its collapse is only just beginning.

It will be scant consolation for the prospect of losing their money, but Dominion's shareholders are now likely to be treated to a spectacle of mutual finger-pointing not seen in a UK company for a long time.

At the centre of the controversy, but no longer of the company itself, is Mr Max Lewinsohn, creator of Dominion in its present form from the ashes of Dundee Crematorium, a company which had a market value of £200,000 when he bought control in 1974.

Under fire from influential shareholders and some former directors, Mr Lewinsohn resigned hours before Dominion's annual meeting in August. Within six weeks, Dominion's shares were suspended and the company was forced, at the last minute, to cancel its final dividend because it lacked distributable reserves.

The case against Mr Lewinsohn rests on the last third of his 15-year stewardship, a period in which Dominion was



Max Lewinsohn, second left, argues that difficulties were due to a change of direction after he left.

badly burned by oil investments and struck out with a series of ventures in financial services and property, several of which have gone badly wrong.

Dominion on Friday announced provisions of nearly £11m, to raise the total written off over the past five years to £46m. Mr Openshaw yesterday described this as "purely prudent accounting, reflecting that the asset values just aren't there."

It is slashing to £700,000 the carried value of its £5.7m investment in Inter, a proposed automated futures exchange; writing off £4m against losses on its oil interests, mainly through the loss

disposal for cash and allied acquisition for shares - and the subsequent blow to confidence among Dominion's bankers.

The main dispute, however, is not between Mr Lewinsohn and new management led by Mr Openshaw. His principal detractors are Mr Roy Richardson and his twin Don, the West Midlands property developers, and another set of brothers, Mr Rupert Galliers-Pratt and Mr Nigel Cayzer. The four men had been trying since November 1988 to remove Mr Lewinsohn.

The Richardsons bought into Dominion on a stockbroker's recommendation and on the strength of its dividend yield and possible hidden property assets. "With hindsight, now we know why it was such a good dividend," Mr Roy Richardson said yesterday.

Mr Galliers-Pratt and Mr Cayzer got their shares when Dominion bought Film Finance from them in May 1988. Although still on the Dominion board, they joined forces with the Richardsons in an unsuccessful attempt to remove Mr Lewinsohn.

That initiative was headed off in part by Mr Lewinsohn's agreement to swap places with Lord Barnett, the former Labour minister, who was then deputy chairman. Lord Barnett subsequently resigned as chairman in November 1988.

In reply, Mr Lewinsohn argues that the difficulties which have come to light in the past few months are a result of the abrupt change of direction after his departure - the decision to drop a proposed

Wehmiller buys three businesses for £16m

By David Owen

BARRY WEHMILLER International, the specialist packaging machinery group, has acquired three diverse UK businesses for a total of £16.05m.

The deals will make the company the world's largest supplier of aerosol filling equipment and launch it into the manufacture of machines for pressing and coating tablets for the pharmaceuticals industry. The transactions will be funded by issuing £19.5m of new Wehmiller shares.

These have been placed for sale at 200p with institutions, but are subject to an open offer made to all shareholders by Hill Samuel. The surplus will be added to group resources.

Melville Engineering, the engineering arm of Melville Group, was bought for £2m, satisfied by an allotment of 3.2m new shares.

The second acquisition was Manesty Machines, the chain and gear manufacturing subsidiary of Remold - purchased

for £6.75m satisfied by 2.4m new shares.

Manesty is a leading manufacturer of tablet pressing and coating machinery.

The third acquisition, Hills of Hull, manufacturer of bottling and rinsing machines, was acquired for £200,000 in cash. The company, into which Wehmiller is to inject between £250,000 and £700,000 of working capital, boasts turnover of some £2.1m.

Mecca Leisure £30m sale

Mecca Leisure has raised £30m through the sale of its Clermont Club casino in Mayfair to the Bally Manufacturing Corporation, a US leisure concern. The transaction takes Mecca halfway to achieving the aim of shedding both its London gaming houses, where profitability has deteriorated. The assets being sold have a book value of £24.5m.

Lovell may sell 10% of Higgs after bid failure

By Ray Bashford

YJ LOVELL is expected to sell a 10 per cent holding in Higgs and Hill following the failure of its £167m hostile takeover bid for the competitor in the housing and construction industry.

The disposal became the most likely option when it was announced on Saturday afternoon that Lovell could claim only acceptances for 34.8 per cent of Higgs.

The Takeover Panel is this week expected to explain why it rejected an attempt by Lovell to alter the takeover rules in the final stages of the takeover.

Lazard Brothers, the merchant bank advising Lovell, won approval on Thursday from the Panel's executive for at least two institutions to pledge support for the bid but have their shares included in acceptances only if the takeover was successful.

This was seen as an attempt by institutions to retain their anonymity and therefore not appear to be disloyal.

However, after an appeal to the full panel by Schroder

Wagg, advisers to Higgs and Hill, the decision was overruled. The merchant bank argued, in part, that such an alteration would give institutions advantages over smaller shareholders.

Lovell's stake has attracted the interest of several institutions and Higgs would be likely to assist in breaking-up and placing the stake.

Lovell is barred under the City Code from launching another bid for 12 months, meaning that the holding costs for the stake would add significantly to the company's interest charge in the next financial year.

The bidder purchased a 5 per cent holding last week at 450p a share which raised sharply the average price paid for the shares. Higgs shares closed down 5p at 408p on Friday.

The shares directly owned by or associated with Mr John Adams, the former Higgs deputy chairman who defected and supported the offer, account for up to a third of total acceptances.

De Haans 300p offer to take Saga private gives £54.3m value

By John Thornhill

THE De Haan family is planning to return the Saga Group to private ownership 13 years after it floated the holiday group. It is making a 300p per share recommended offer which values the company at £54.3m.

The De Haans, who already own 63 per cent of the company's equity, said they had

approached Saga in December prompting a sharp rise in the company's share price. Last Friday the shares were unchanged at 294p, compared with the offer price of 300p.

Saga made a pre-tax profit forecast of £4.1m for the year ended January 1990, which was well below market expectations.

Refinancing arranged for United News Shops

By Maggie Urry

A REFINANCING package has been arranged for United News Shops, a chain of 371 newsagents bought out from United Newspapers in 1987 for £27m.

Mr Stephen Fearnley and Mr Paul Appell, founders of the Poundstretcher chain of discount stores, who left when the outlets were sold by Lowden Queensway to Brown & Jackson last year, have taken a near 50 per cent stake in the company and have been

appointed chairman and deputy chairman respectively.

The refinancing, arranged by Philidrew Centures, involved institutions who originally backed the deal cutting their equity interest from 85 per cent to 30 per cent and putting in more capital, and the banks rescheduling debt repayments.

Mr Fearnley and Mr Appell also put capital in. The company is now capitalised at £33m.

Sutherland shares fall on loss warning

Shares in Sutherland Holdings, USM-quoted food processor, dropped from 46p to 36p last Friday after the company warned it would show a small loss before tax for the year to October 31, writes Vanessa Houlder.

The company, which is a major user of pork and beef, blamed increased raw material costs. The warning was made because of a suspected information leak. A full statement will be made on Thursday when the results are released.

GRANVILLE SPONSORED SECURITIES

Capitalisation	Company	Price	Change	Gross	Yield	P/E
£000's			at 10.10	div 84	at 10.10	
8324	Am. Bril. Int. Ind.	342	-	10.3	3.0	9.2
575	Arrington and Rhodes	23	-	-	-	-
124139	Barton Group (SE)	182	-	4.3	2.4	17.4
13572	Barton Group (SE) Prof. SEC	111	-	4.0	3.0	13.3
4557	Bell Industries	77	-	9.9	7.7	6.8
	Brenhill Court Prof	96	-	12.0	11.5	-
	Brockhill (SE) New C.C.P.	96	-	11.0	11.5	-
1178	CCZ Group Ordinary	242	-	14.7	4.7	3.0
2088	CCZ Group 11% Conv Prof	167	-	14.7	8.8	-
16740	Carbo Pte (SE)	210	-	7.6	3.6	12.4
770	Carbo 7.5% Prof (SE)	140	-	10.3	9.4	-
	Magnum Co. New Vending Co.	1.56	-	-	-	-
	Magnum Co. New Vending Co.	0.755m	-	-	-	-
9558	Isle Group	120	-	8.0	6.7	6.9
20295	Jackson Group (SE)	190	-	3.4	3.3	12.6
20274	Multimedia N.V. (AmstSE)	290	-	-	-	-
1448	Robert Jenkins	142	-	10.0	7.0	5.2
17644	Servotronics	368	-	10.7	10.8	-
9380	Torley & Carlisle	297	-	9.3	1.1	10.3
	Torley & Carlisle Conv Prof	104	-	10.7	10.3	-
3442	Trevelyan Holdings (SE) (SE)	80	-	2.7	2.4	8.4
	Unilever Europe Conv Prof	120	-	9.3	8.0	-
5775	Waterbury Press Co. PLC	350	-	22.0	8.3	9.4
6720	W. S. Yeates	300	-	16.2	5.4	25.0

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of the ISE. These securities are dealt in subject to a restricted range of conditions. Further details available.

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Plateau Mining Plc

(Incorporated and Registered in England No. 2097071)

Placing of 7,813,816 Ordinary Shares of 20p each and Entitlement Offer of 8,513,662 Ordinary Shares of 20p each at 90p per Share

by James Capel & Co.

Share Capital

Issued and now being issued fully paid

Authorised £5,000,000 In ordinary shares of 20p each £3,740,000

Plateau Mining Plc has interests in and manages precious and base metal exploration and mining projects, principally in Zimbabwe and Ecuador.

25 per cent of the securities being placed are being distributed through Stock Group (London) Limited. Particulars of the Company are available through the Excel Market Service, and copies of listing particulars relating to the securities described herein may be obtained during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the Company Announcements Office of The Stock Exchange, 46 Finsbury Square, London EC2A 1DD (for collection only) up to and including 24th January, 1990, and up to and including 9th February, 1990 from:

James Capel & Co. Plateau Mining Plc Stock Group (London) Limited
6 Bevis Marks No 1 Castlefield Court Napier House
London EC3A 7JQ Church Street 24-28 High Holborn
London WC1V 6AZ

A member of The Securities Association

22nd January, 1990

WORLDINVEST INCOME FUND

DECLARATION OF DIVIDEND No. 26

The Trustees of the WorldInvest Income Fund are pleased to announce a US\$9.00 per share distribution to Shareholders in respect of the half-year period from June 29, 1989 to December 28, 1989.

Coupon Number 26, and any previously unrepresented coupons, may be presented for payment on or after February 1, 1990 to any of the following Payment Agents:

to BankAmerica Trust Company (Jersey) Limited, PO Box 120, Union Street, St. Helier, JERSEY, Channel Islands
or Bank of America International S.A., 35 Boulevard Royale, Case Postale 435, LUXEMBOURG, Grand Duchy of Luxembourg
or Bank of America NT & SA, Bank of America Tower, 12 Harcourt Road, 19th Floor, GPO 472, HONG KONG.

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

WorldInvest (Managers) Jersey Limited
Manager

22 January, 1990

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	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	High	1989/90	Since Completion
Government Sec.	81.58	81.04	81.62	82.36	82.39	83.02	89.29	111.04	127.4
Fixed Index	91.50	91.89	92.33	92.46	92.39	92.60	99.59	91.50	105.4
Ordinary	1868.0	1864.4	1895.3	1875.7	1896.9	1909.1	2009.6	1447.8	2008.6
Gold Mines	329.4	342.9	351.4	355.8	349.4	346.1	355.8	154.7	734.7
FT-Act All Share	1169.46	1169.74	1186.53	1175.64	1184.17	1191.71	1226.83	921.22	1238.57
FT-SE 100	2335.0	2336.9	2373.9	2349.1	2366.2	2380.1	2463.7	1782.8	2463.7

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AUTHORISED UNIT TRUSTS

Unit Name	Unit Class	Cost, Price	E.O. Price	Approved Price	City Use
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[illegible]

GUIDE TO UNIT TRUST PRICING

OTHER CHARGES
These represent the marketing, administrative and other costs which have to be paid by new partners. The charges are included in the price when the customer buys only.
ENTER HERE

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the Commission.

In practice, with that constraint came a much narrower band. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of offers or units on hand.

The three stages comprise the final manager's move in the time at which the unit trades. Daily trading prices are normally set within another time Δ separated by the trading frequency Δ between the trading and the time Δ .

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The new H series has the capacity to deal with a host of tasks. The series has pumps in three

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The letter F denotes that prices are set on a forward basis, so that buyers can be given as definite price in advance of the purchase or sale being carried out. The prices appearing in the quotation sheet are the prices at which deals were carried out yesterday.

GENERAL PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from their company.
Other explanatory notes contained in last column of the FT Risk Trust Information page.

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30 St Andrews Se	Edinburgh	031-358 1061	25 Bucklebury, London EC4A	020 3773 74
Inst Income	51, 186 9	198 9	Central Vale	51, 45 38
Inst Admin	51, 220 8	315 7	Central Vale	51, 45 38
Inst				

[illegible]

Agric.	70.75	70.86	70.98	Income	70.75	70.86	70.98
Technology	70.75	70.86	70.98	Adm'n Units	70.75	70.86	70.98
Chemical	70.75	70.86	70.98	Smaller Co's	70.75	70.86	70.98
Pharmaceutical	70.75	70.86	70.98				

[illegible]

31.50	32.00	32.50	33.00	33.50	34.00	34.50	35.00	35.50	36.00	36.50	37.00	37.50	38.00	38.50	39.00	39.50	40.00	40.50	41.00	41.50	42.00	42.50	43.00	43.50	44.00	44.50	45.00	45.50	46.00	46.50	47.00	47.50	48.00	48.50	49.00	49.50	50.00	50.50	51.00	51.50	52.00	52.50	53.00	53.50	54.00	54.50	55.00	55.50	56.00	56.50	57.00	57.50	58.00	58.50	59.00	59.50	60.00	60.50	61.00	61.50	62.00	62.50	63.00	63.50	64.00	64.50	65.00	65.50	66.00	66.50	67.00	67.50	68.00	68.50	69.00	69.50	70.00	70.50	71.00	71.50	72.00	72.50	73.00	73.50	74.00	74.50	75.00	75.50	76.00	76.50	77.00	77.50	78.00	78.50	79.00	79.50	80.00	80.50	81.00	81.50	82.00	82.50	83.00	83.50	84.00	84.50	85.00	85.50	86.00	86.50	87.00	87.50	88.00	88.50	89.00	89.50	90.00	90.50	91.00	91.50	92.00	92.50	93.00	93.50	94.00	94.50	95.00	95.50	96.00	96.50	97.00	97.50	98.00	98.50	99.00	99.50	100.00
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Scottish Life Investments CL2000N
19 St Andrew Sq, Edinburgh
Midlothian EH1 1JQ 011-222 2222

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United States	51	72.70	72.73	77.74	50.48	43.37	43.38	43.39	43.40	43.41	43.42	43.43	43.44	43.45	43.46	43.47	43.48	43.49	43.50	43.51	43.52	43.53	43.54	43.55	43.56	43.57	43.58	43.59	43.60	43.61	43.62	43.63	43.64	43.65	43.66	43.67	43.68	43.69	43.70	43.71	43.72	43.73	43.74	43.75	43.76	43.77	43.78	43.79	43.80	43.81	43.82	43.83	43.84	43.85	43.86	43.87	43.88	43.89	43.90	43.91	43.92	43.93	43.94	43.95	43.96	43.97	43.98	43.99	44.00	44.01	44.02	44.03	44.04	44.05	44.06	44.07	44.08	44.09	44.10	44.11	44.12	44.13	44.14	44.15	44.16	44.17	44.18	44.19	44.20	44.21	44.22	44.23	44.24	44.25	44.26	44.27	44.28	44.29	44.30	44.31	44.32	44.33	44.34	44.35	44.36	44.37	44.38	44.39	44.40	44.41	44.42	44.43	44.44	44.45	44.46	44.47	44.48	44.49	44.50	44.51	44.52	44.53	44.54	44.55	44.56	44.57	44.58	44.59	44.60	44.61	44.62	44.63	44.64	44.65	44.66	44.67	44.68	44.69	44.70	44.71	44.72	44.73	44.74	44.75	44.76	44.77	44.78	44.79	44.80	44.81	44.82	44.83	44.84	44.85	44.86	44.87	44.88	44.89	44.90	44.91	44.92	44.93	44.94	44.95	44.96	44.97	44.98	44.99	45.00	45.01	45.02	45.03	45.04	45.05	45.06	45.07	45.08	45.09	45.10	45.11	45.12	45.13	45.14	45.15	45.16	45.17	45.18	45.19	45.20	45.21	45.22	45.23	45.24	45.25	45.26	45.27	45.28	45.29	45.30	45.31	45.32	45.33	45.34	45.35	45.36	45.37	45.38	45.39	45.40	45.41	45.42	45.43	45.44	45.45	45.46	45.47	45.48	45.49	45.50	45.51	45.52	45.53	45.54	45.55	45.56	45.57	45.58	45.59	45.60	45.61	45.62	45.63	45.64	45.65	45.66	45.67	45.68	45.69	45.70	45.71	45.72	45.73	45.74	45.75	45.76	45.77	45.78	45.79	45.80	45.81	45.82	45.83	45.84	45.85	45.86	45.87	45.88	45.89	45.90	45.91	45.92	45.93	45.94	45.95	45.96	45.97	45.98	45.99	46.00	46.01	46.02	46.03	46.04	46.05	46.06	46.07	46.08	46.09	46.10	46.11	46.12	46.13	46.14	46.15	46.16	46.17	46.18	46.19	46.20	46.21	46.22	46.23	46.24	46.25	46.26	46.27	46.28	46.29	46.30	46.31	46.32	46.33	46.34	46.35	46.36	46.37	46.38	46.39	46.40	46.41	46.42	46.43	46.44	46.45	46.46	46.47	46.48	46.49	46.50	46.51	46.52	46.53	46.54	46.55	46.56	46.57	46.58	46.59	46.60	46.61	46.62	46.63	46.64	46.65	46.66	46.67	46.68	46.69	46.70	46.71	46.72	46.73	46.74	46.75	46.76	46.77	46.78	46.79	46.80	46.81	46.82	46.83	46.84	46.85	46.86	46.87	46.88	46.89	46.90	46.91	46.92	46.93	46.94	46.95	46.96	46.97	46.98	46.99	47.00	47.01	47.02
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Continued on next page

● For Current Unit Trust Prices on any telephone ring direct-0833 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

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LONDON SHARE SERVICE

[illegible][illegible][illegible]

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INDUSTRIALS (Miscel.) - Contd.

[illegible]

3.73	Piston Int.....	✓	121	2.88	-	36.7
3.90	Styrmak Ltd.....	✓	121	9.81	-	36.9
			121	11.12	Dec 1991	36.9

[illegible]

18.6 Du. 7 1/2 yr. Cr. Rd. P.	127	7 1/2 %	7.9	27.11	June Dec	4791
41.25 Cont. Mortable Ttl	115	10.0	7.0	18.9	May Oct	3951

[illegible]

5.0-Unit Guarantee Sp.	7 1/2	-	-	12/04	-	Jan. May	0351
56.7-Vietnam Corp. 20m	2 1/2	A-2	3 1/2	27 11	Feb. Dec		0374

54	WSPH Hedges, J. W.	197	12	24	198	4245
55	WSPH Hedges, J. W.	197	12	24	198	4246
56	Walker, George	60	22	4	1981	4247
57	Walker, George	60	22	4	1981	4248
58	Walker, George	60	22	4	1981	4249
59	Walker, George	60	22	4	1981	4250
60	Walker, George	60	22	4	1981	4251
61	Walker, George	60	22	4	1981	4252
62	Walker, George	60	22	4	1981	4253
63	Walker, George	60	22	4	1981	4254
64	Walker, George	60	22	4	1981	4255
65	Walker, George	60	22	4	1981	4256
66	Walker, George	60	22	4	1981	4257
67	Walker, George	60	22	4	1981	4258
68	Walker, George	60	22	4	1981	4259
69	Walker, George	60	22	4	1981	4260
70	Walker, George	60	22	4	1981	4261
71	Walker, George	60	22	4	1981	4262
72	Walker, George	60	22	4	1981	4263
73	Walker, George	60	22	4	1981	4264
74	Walker, George	60	22	4	1981	4265
75	Walker, George	60	22	4	1981	4266
76	Walker, George	60	22	4	1981	4267
77	Walker, George	60	22	4	1981	4268
78	Walker, George	60	22	4	1981	4269
79	Walker, George	60	22	4	1981	4270
80	Walker, George	60	22	4	1981	4271
81	Walker, George	60	22	4	1981	4272
82	Walker, George	60	22	4	1981	4273
83	Walker, George	60	22	4	1981	4274
84	Walker, George	60	22	4	1981	4275
85	Walker, George	60	22	4	1981	4276
86	Walker, George	60	22	4	1981	4277
87	Walker, George	60	22	4	1981	4278
88	Walker, George	60	22	4	1981	4279
89	Walker, George	60	22	4	1981	4280
90	Walker, George	60	22	4	1981	4281
91	Walker, George	60	22	4	1981	4282
92	Walker, George	60	22	4	1981	4283
93	Walker, George	60	22	4	1981	4284
94	Walker, George	60	22	4	1981	4285
95	Walker, George	60	22	4	1981	4286
96	Walker, George	60	22	4	1981	4287
97	Walker, George	60	22	4	1981	4288
98	Walker, George	60	22	4	1981	4289
99	Walker, George	60	22	4	1981	4290
100	Walker, George	60	22	4	1981	4291

162.3	Da. Lic. Cov. \$100.	ES	021%	11.17.10	Apr Oct	-
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303 Atlantic Ins. Bro'rs	1174	67.00	Dec. 15	1571
304 American Nat. Com. Corp.	1175	67.00	Dec. 15	1572
305 American Nat. Com. Corp.	1176	67.00	Dec. 15	1573
306 Am. Com. Corp.	1177	67.00	Dec. 15	1574
307 Am. Com. Corp.	1178	67.00	Dec. 15	1575
308 Am. Com. Corp.	1179	67.00	Dec. 15	1576
309 Am. Com. Corp.	1180	67.00	Dec. 15	1577
310 Am. Com. Corp.	1181	67.00	Dec. 15	1578
311 Am. Com. Corp.	1182	67.00	Dec. 15	1579
312 Am. Com. Corp.	1183	67.00	Dec. 15	1580
313 Am. Com. Corp.	1184	67.00	Dec. 15	1581
314 Am. Com. Corp.	1185	67.00	Dec. 15	1582
315 Am. Com. Corp.	1186	67.00	Dec. 15	1583
316 Am. Com. Corp.	1187	67.00	Dec. 15	1584
317 Am. Com. Corp.	1188	67.00	Dec. 15	1585
318 Am. Com. Corp.	1189	67.00	Dec. 15	1586
319 Am. Com. Corp.	1190	67.00	Dec. 15	1587
320 Am. Com. Corp.	1191	67.00	Dec. 15	1588
321 Am. Com. Corp.	1192	67.00	Dec. 15	1589
322 Am. Com. Corp.	1193	67.00	Dec. 15	1590
323 Am. Com. Corp.	1194	67.00	Dec. 15	1591
324 Am. Com. Corp.	1195	67.00	Dec. 15	1592
325 Am. Com. Corp.	1196	67.00	Dec. 15	1593
326 Am. Com. Corp.	1197	67.00	Dec. 15	1594
327 Am. Com. Corp.	1198	67.00	Dec. 15	1595
328 Am. Com. Corp.	1199	67.00	Dec. 15	1596
329 Am. Com. Corp.	1200	67.00	Dec. 15	1597
330 Am. Com. Corp.	1201	67.00	Dec. 15	1598
331 Am. Com. Corp.	1202	67.00	Dec. 15	1599
332 Am. Com. Corp.	1203	67.00	Dec. 15	1600
333 Am. Com. Corp.	1204	67.00	Dec. 15	1601
334 Am. Com. Corp.	1205	67.00	Dec. 15	1602
335 Am. Com. Corp.	1206	67.00	Dec. 15	1603
336 Am. Com. Corp.	1207	67.00	Dec. 15	1604
337 Am. Com. Corp.	1208	67.00	Dec. 15	1605
338 Am. Com. Corp.	1209	67.00	Dec. 15	1606
339 Am. Com. Corp.	1210	67.00	Dec. 15	1607
340 Am. Com. Corp.	1211	67.00	Dec. 15	1608
341 Am. Com. Corp.	1212	67.00	Dec. 15	1609
342 Am. Com. Corp.	1213	67.00	Dec. 15	1610
343 Am. Com. Corp.	1214	67.00	Dec. 15	1611
344 Am. Com. Corp.	1215	67.00	Dec. 15	1612
345 Am. Com. Corp.	1216	67.00	Dec. 15	1613
346 Am. Com. Corp.	1217	67.00	Dec. 15	1614
347 Am. Com. Corp.	1218	67.00	Dec. 15	1615
348 Am. Com. Corp.	1219	67.00	Dec. 15	1616
349 Am. Com. Corp.	1220	67.00	Dec. 15	1617
350 Am. Com. Corp.	1221	67.00	Dec. 15	1618
351 Am. Com. Corp.	1222	67.00	Dec. 15	1619
352 Am. Com. Corp.	1223	67.00	Dec. 15	1620
353 Am. Com. Corp.	1224	67.00	Dec. 15	1621
354 Am. Com. Corp.	1225	67.00	Dec. 15	1622
355 Am. Com. Corp.	1226	67.00	Dec. 15	1623
356 Am. Com. Corp.	1227	67.00	Dec. 15	1624
357 Am. Com. Corp.	1228	67.00	Dec. 15	1625
358 Am. Com. Corp.	1229	67.00	Dec. 15	1626
359 Am. Com. Corp.	1230	67.00	Dec. 15	1627
360 Am. Com. Corp.	1231	67.00	Dec. 15	1628
361 Am. Com. Corp.	1232	67.00	Dec. 15	1629
362 Am. Com. Corp.	1233	67.00	Dec. 15	1630
363 Am. Com. Corp.	1234	67.00	Dec. 15	1631
364 Am. Com. Corp.	1235	67.00	Dec. 15	1632
365 Am. Com. Corp.	1236	67.00	Dec. 15	1633
366 Am. Com. Corp.	1237	67.00	Dec. 15	1634
367 Am. Com. Corp.	1238	67.00	Dec. 15	1

[illegible]

Country	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050
Japan	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0
Germany	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0
France	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5	16.0
Italy	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5	17.0
Spain	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5	17.0	17.5	18.0
Sweden	14.0	14.5	15.0	15.5	16.0	16.5	17.0	17.5	18.0	18.5	19.0
Belgium	15.0	15.5	16.0	16.5	17.0	17.5	18.0	18.5	19.0	19.5	20.0
United Kingdom	16.0	16.5	17.0	17.5	18.0	18.5	19.0	19.5	20.0	20.5	21.0
United States	17.0	17.5	18.0	18.5	19.0	19.5	20.0	20.5	21.0	21.5	22.0
Canada	18.0	18.5	19.0	19.5	20.0	20.5	21.0	21.5	22.0	22.5	23.0
South Korea	19.0	19.5	20.0	20.5	21.0	21.5	22.0	22.5	23.0	23.5	24.0
China	20.0	20.5	21.0	21.5	22.0	22.5	23.0	23.5	24.0	24.5	25.0
India	21.0	21.5	22.0	22.5	23.0	23.5	24.0	24.5	25.0	25.5	26.0
Indonesia	22.0	22.5	23.0	23.5	24.0	24.5	25.0	25.5	26.0	26.5	27.0
Philippines	23.0	23.5	24.0	24.5	25.0	25.5	26.0	26.5	27.0	27.5	28.0
Thailand	24.0	24.5	25.0	25.5	26.0	26.5	27.0	27.5	28.0	28.5	29.0
Malaysia	25.0	25.5	26.0	26.5	27.0	27.5	28.0	28.5	29.0	29.5	30.0
Singapore	26.0	26.5	27.0	27.5	28.0	28.5	29.0	29.5	30.0	30.5	31.0
South Africa	27.0	27.5	28.0	28.5	29.0	29.5	30.0	30.5	31.0	31.5	32.0
Argentina	28.0	28.5	29.0	29.5	30.0	30.5	31.0	31.5	32.0	32.5	33.0
Brazil	29.0	29.5	30.0	30.5	31.0	31.5	32.0	32.5	33.0	33.5	34.0
Mexico	30.0	30.5	31.0	31.5	32.0	32.5	33.0	33.5	34.0	34.5	35.0
Colombia	31.0	31.5	32.0	32.5	33.0	33.5	34.0	34.5	35.0	35.5	36.0
Venezuela	32.0	32.5	33.0	33.5	34.0	34.5	35.0	35.5	36.0	36.5	37.0
Chile	33.0	33.5	34.0	34.5	35.0	35.5	36.0	36.5	37.0	37.5	38.0
Peru	34.0	34.5	35.0	35.5	36.0	36.5	37.0	37.5	38.0	38.5	39.0
Ecuador	35.0	35.5	36.0	36.5	37.0	37.5	38.0	38.5	39.0	39.5	40.0
Bolivia	36.0	36.5	37.0	37.5	38.0	38.5	39.0	39.5	40.0	40.5	41.0
Paraguay	37.0	37.5	38.0	38.5	39.0	39.5	40.0	40.5	41.0	41.5	42.0
Uruguay	38.0	38.5	39.0	39.5	40.0	40.5	41.0	41.5	42.0	42.5	43.0
Puerto Rico	39.0	39.5	40.0	40.5	41.0	41.5	42.0	42.5	43.0	43.5	44.0

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MINES – Contd[illegible]

Room 50 .	25	-
Room 50p .	75	-
Room 31 .	77	10

[illegible]

Studies 1 to 4	1.4	1	1
Study 2 to 4	2.4	1	1
Study 3 to 4	2.4	1	1

London 2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2
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ne of suspension

[illegible]

ex dividend, as at scrip issue;
distribution.

FINANCIAL & IRISH STOCKS			
is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.			
..v	84	Ametis	410..
..v	830	Carroll P. J.	2721 +1
..v	57	Hall P. & H.	1998 -5
..v	2340	Harlow Higgins ..	1000
IRISH		IRG	2980
..v	2945	United Drug	1700
..v	695		
..v	11414		

3-month call rates

Is	p	Polity Press	21
		Racial Ecology	21
		2100	21
	42	Barry Guy Orchestra	22
	43	Beck's	22
	44	Beck's	22
	45	Beck's	22
	46	Beck's	22
	47	Beck's	22
	48	Beck's	22
	49	Beck's	22
	50	Beck's	22
	51	Beck's	22
	52	Beck's	22
	53	Beck's	22
	54	Beck's	22
	55	Beck's	22
	56	Beck's	22
	57	Beck's	22
	58	Beck's	22
	59	Beck's	22
	60	Beck's	22
	61	Beck's	22
	62	Beck's	22
	63	Beck's	22
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	67	Beck's	22
	68	Beck's	22
	69	Beck's	22
	70	Beck's	22
	71	Beck's	22
	72	Beck's	22
	73	Beck's	22
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 31

4pm prices January 19

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**4pm prices
January 19**

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FINANCIAL TIMES

The Business Column

Hard work on joint ventures

There is a simple way to calculate the extra management effort it takes to run a joint venture: it takes roughly twice as much as a wholly-owned subsidiary. First you have to carry on managing your own business. Then you have to devote time to dealing with your partner in the venture and finally you have to deal with the venture itself as a separate company.

The calculus is Mr Richard Dulude's, group president of Corning, the US multinational glass manufacturer, which has a score of joint ventures. They range from a venture with Dow Chemicals which is about 40 years old, to a deal with IBM, the computer manufacturer, which was set up only a year and a half ago. They stretch from an undertaking with Siemens, the West German engineering group, to a venture with Samsung, the South Korean consumer electronics group.

Mr Dulude warns: "You can never afford to surprise your partner. You must treat him like a customer. That means you have to talk a lot. Things you might normally do as reflex or routine you have to explain and be prepared to change."

Non-equity ventures

There is little statistical evidence that joint ventures and other non-equity forms of collaboration between companies are growing at the expense of more traditional forms of internationalisation through direct investment. Yet recent deals involving, for example, British Aerospace and Thomson-CSF in missiles and Boeing and three Japanese heavy engineering groups in aircraft development, suggest that the ability to pursue these looser forms of internationalisation has become an essential part of a large company's repertoire.

Companies become interested in joint ventures for two reasons: to gain access to a market which would otherwise prove difficult to penetrate, or gain access to technological expertise which would be too costly and risky to develop alone.

Yet just bringing together a market and a product technology does not guarantee success, even when leading companies are involved, as the recent collapse of the Intel-Siemens joint venture shows.

Check list

Mr Dulude's check list for the management of successful joint ventures is as follows:

- If the first question raised in the negotiations is "who is going to control the venture?" tidy your papers, slide back your chair and head for the door - the venture will not work. Equally, if most of the negotiations focus on how the parties will be able to escape if the venture fails, claim pressing engagements and leave.
- The venture will have to be able to grow, unless it is a purely defensive move to protect a market against incursion from competitors. If the venture gets hemmed in, either geographically or technologically, there will be constant friction between the venture and its parents.
- The venture has to develop its own culture and identity as a business. Employees and customers must be encouraged not to treat it like an airport, something they want to pass through quickly and dread getting stuck in.
- The managers of the venture have to have access to senior executives in the parent companies. If not, strategic decisions may be delayed and the venture will be relegated to the margins.
- Beware of monolithic companies with strong centralised organisations which are used to doing everything for themselves. Joint venture partners have to want to share responsibility.
- As the number of ventures grows, so a company's sense of itself has to change. Corning sees itself as the centre of a dense web of links. Joint ventures are only one of these links. The others include wholly-owned subsidiaries, majority stakes, minority interests and marketing agreements.

Mr Dulude says: "We are neither a monolithic operating company, nor a holding company. We work more like a network. Companies will have to think much more in terms of networking rather than just controlling."

Charles Leadbeater

By any political yardstick, Charles Haughey, Ireland's Taoiseach, or Prime Minister, has had a long and colourful career. In politics for nearly 40 years, Mr Haughey, 64, is now in his fourth prime ministerial incarnation.

He has fought his way through the political trenches, and been badly injured a few times but has continued running. He has held nearly every big ministerial portfolio. Now comes the role Mr Haughey appreciates most of all. Since January 1 Ireland has had the presidency of the European Community.

Mr Haughey has every intention of playing his full part on the European stage. The large countries usually make the European running, he says. But the continual changes in eastern Europe are shifting the balance. "The Community is now being catapulted into a very powerful political position in the world. No matter what country was president at this point, it would be called upon to play a very important role."

Mr Haughey does not believe that the EC has been wrong-footed by the pace and scale of change. "The Community has shown great resilience and maturity in its response. There might have been a temptation for the Community to retire into a snug, self-satisfied attitude and leave eastern Europe to look after itself. In fact it's done exactly the opposite."

At Mr Haughey's initiative, Ireland had convened a special meeting of EC foreign ministers to discuss eastern Europe. Community plans for a bank to help the eastern European economies were going ahead.

Mr Haughey has never gone out of his way to cultivate the media. Interviews are rare and take place within set guidelines. In a country which cherishes sociability and conversation Mr Haughey is an oddity.

He keeps his personality remarkably well hidden. He is unpredictable. Part of the secret of his political longevity is his talent for being all things to all people. One day Mr Haughey is the concerned economist, reeling off lists of statistics on Ireland's improving economic health. Next he is the colourful language user, then the grassroots party man holding his arms aloft as the massed ranks of Fianna Fail sing the party anthem "Arise and follow Charlie".

But he is now concentrating on his role as European statesman. He describes the new European as an economic and political superpower. He feels Ireland, though a small country, has an important role to play, particularly in regard to relations between the United

MONDAY INTERVIEW

Devoted member of the EC

Charles Haughey, Irish Prime Minister, talks to Kieran Cooke

States and the EC. "We can act as honest broker between the US and Europe. In Europe generally there is an understanding that Ireland has a very special traditional relationship with the US. The American relationship has always been a very real, fundamental thing in Irish life, emigration resulting in the fact that there are now 40m Americans of Irish descent in the US."

Mr Haughey feels the Bush administration has a more constructive approach to Europe than the previous administration. "Not so long ago there was talk of a trade war. That has completely changed." Mr

Community as exists in Ireland."

Mr Haughey puts great emphasis on personal relationships. He describes President Mitterrand of France as a personal friend; Mr Haughey is an ardent Francophile. "I've always been attracted to France. I spent my honeymoon there. I admire French culture, the way of life, their style. I regard the south of France as the epitome of the development of modern civilisation. I think they have whatever is necessary for a good life."

Mr Haughey's critics feel he is giving too much time to things European and not enough to problems closer to home. There has been a considerable improvement in Ireland's overall fiscal position over the past three years. Borrowing has been radically cut back, though the national debt, at more than £25bn (£23.5bn), is still a serious impediment to development. Exports have grown substantially while inflation has been kept down.

But a programme of Government cutbacks has caused serious problems, particularly in the health service. Unemployment, at more than 17 per cent, is twice the EC average. More than 50,000 people, many of them young graduates, are leaving Ireland each year and though the country has the highest birth rate in Europe its population is declining.

Mr Haughey has been accused of presiding over an increasingly unequal society. Yet Mr Haughey, once looked on as the enemy of the Irish business community, has been transformed into a valiant friend. "I would suggest it is the business community that has changed and not Charles Haughey," he says.

Mr Haughey was born in Castlebar, a small market town

PERSONAL FILE

1925 Born, Castlebar, Co Mayo. Educated, University College Dublin.

1967 Elected to Dail (Irish Parliament).

1961 Appointed to Cabinet, holding portfolios of Justice, Agriculture and Finance.

1970 Resigned from Cabinet.

1977 Appointed Minister for Health and Social Welfare.

1979 Elected leader of Fianna Fail Party and Taoiseach (Prime Minister).

1981-89 Led Fianna Fail into five general elections, being elected Taoiseach on three occasions.

Haughey says Ireland has turned from its historical links with the US to embrace Europe. "There's no doubt that the commitment is to the Community, to Europe. That's borne out time and again in the referendum that we have taken place. I don't think there's any other country in Europe which has the same degree of popular support for membership of the

Public perception of judges' conduct

The community's confidence in the administration of justice cannot be based solely on the personal qualifications of the judges. But it can hardly be gained that public confidence in Scottish justice has been badly dented by the revelation of alleged improper behaviour of a cluster of Court of Sessions judges, although the nature and extent of the alleged improprieties are insufficiently disclosed for any conclusive pronouncement on the affair.

The affair prompts the question: does the public think that judges are human, sharing the virtues and weaknesses of ordinary mortals? The fact that one can pose such an obvious question stems from the self-imposed isolation which the judiciary in the two British legal systems has hitherto enveloped itself.

To mention the human frailties of judges, except as an aside or as a joke, even in gathering of lawyers, has always been considered bad taste. The taboo situation dominated the education and professional training of lawyers, at least until recent years. In consequence, it controlled what judges said to the non-legal world in publications and public addresses (judges were

So long as a judge kept silent, his reputation would remain unassailable

always willing to talk in purely professional circles). The legal profession spoke to the laity as if the human characteristics of judges were deliberately concealed under a wig and robe and had little or no consequence for the administration of justice. Those who broke that tradition were dubbed as subversive of the uprightness and independence of the judge.

Until very recently this attitude was buttressed by rules laid down by the Lord Chancellor, Lord Kilmuir, in 1955. The Kilmuir rules were designed to keep the judiciary "insulated from the controversies of the day." The rules propounded the principle that so long as a judge kept silent, his reputation, wisdom and impartiality



JUSTINIAN

would remain unassailable.

By contrast, any utterance in public, other than in the course of performing judicial duties, would necessarily bring him within the focus of criticism. Judges who might wish to write articles in the press or appear on radio or television would be strictly out of bounds.

Much has changed with the recent abandonment of the Kilmuir rules by the present Lord Chancellor. But the separate and silent judiciary of the judges continues to feed the public perception of a remote and virtuous body singled out for judging from their fellow human beings, but always with an Olympian aloofness.

That perception has imposed on the judges a code of personal conduct that is not expected of other mortals. Hence the sad spectacle of a Scottish judge having to resign because apparently he behaved in a manner that precludes any deviation from the social norm of heterosexuality, even though sexual practices in private between consenting male adults has ceased to offend the criminal law since 1967.

If only society did not still regard homosexuality as morally unacceptable, there could be no risk of blackmail, which is said to be the reason why the judge was bound to resign. Blackmail can feed only on the victim's need to conceal something about himself which is more than a peccadillo.

What, then, should society demand of those who sit in judgment in the conduct of their private lives? Dr Johnson was not one of those who believed that the private life of a judge should be so decorous as to avoid all ordinary social contacts and patterns of existence. When Boswell asked Dr

Johnson if he thought an English judge was bound to live like a gentleman, Dr Johnson replied: "Yes, sir - if he can."

Dr Johnson went on to express a poor opinion of a "law lord" who took a fancy to associating with the wits of London, but with so little success that the actor and dramatist, Samuel Foote, asked: "What can he mean by coming among us? He not only dull himself, but the cause of dullness in others." Dullness is bred by an unwillingness to communicate publicly.

Professional training, experience in the practice of the law and the social outlook of lawyers in Britain serves to sustain the public charges of remoteness and conservatism. Whatever the wider horizons of lawyers may have been when they were free from the constraints of judicial office, they become, on the bench, inmates in the monastic life of the Temple and the aseptic atmosphere of the courtroom.

While the standards of judicial conduct on the bench must necessarily be strict, the standards on extrajudicial activities are not always warranted and may, if enforced, bring unfortunate results.

A distinguished Scottish

The standards on extrajudicial activities are not always warranted

Law Lord, the late Lord Kilbrandon, once wrote that when a man - a lack of women on the bench may have something to do with the fostering of the present attitude - accepts judicial office, he does not cease to be a citizen. As a citizen, he must take his share of the burden of translating compassion into action, as do his non-judicial neighbours.

A judge who is able of translating compassion into action as his heterosexual colleague. Whether any extrajudicial conduct is publicly unacceptable depends upon the wisdom of the individual judge and his sense of caution in a world that shines the fiercest spotlight on all its public figures.



'The commitment is to the Community, to Europe'

in the west of Ireland. Dublin, particularly the more working class northside of the city, has always been Mr Haughey's true home territory. He has represented a Dublin constituency since 1967. Mr Haughey married into politics. His wife is the daughter of the late Sean Lemass, Prime Minister in the 1960s. One of Mr Haughey's sons is the present mayor of Dublin.

He lives in considerable style on a 280-acre estate in the northern Dublin suburbs. He also owns an island off the coast of Co Kerry. The source of Mr Haughey's wealth remains an Irish mystery. His political trials and tribulations

included, in 1970, being charged and acquitted of illegally importing firearms. Over the years Mr Haughey's style has changed. Gone is the combative political toughie, in public at least. In has come a more studied, presidential type presence.

President Gorbachev, who made a stopover in Ireland last summer, rates high on the Haughey hero list. "I have great confidence and belief in him. Everybody must admire what he has done so far, the courage he has shown. It might be a little undignified to call him a tough street fighter. But that's an indication of the sort of individual I think he must be."

Relations between Dublin and London have never been easy. "It is of course a very special relationship, multi-faceted, to put it mildly. Throughout the length and breadth of Britain there are Irish people who have made their home there and found a satisfactory way of life for themselves. Economically we're still much closer to Britain than to any other EC member state... so that's one fact of life. It's realism and it's there. We have to accept that and make the best of it."

Mr Haughey does not want to discuss Northern Ireland. "I'll put it very simply this

way. My ideal would be Irish unity as part of a greater European unity." All further discussion on the issue is "for another day." The conversation is quickly steered back into the European mainstream.

Since joining the EC in the early 1970s Ireland has been one of the largest net recipients of EC funds. It has recently been granted nearly £3bn by Brussels to enable it to build up its infrastructure so as to compete in post 1992 Europe. Mr Haughey describes this as a crucial time for Ireland but has no doubt that the country will be ready for the single market. "We've a lot of advantages going for us. In a way our small population is an advantage... we don't have, as some other European member states have, large numbers of people in old traditional industries... our workforce is adaptable and well trained."

Others see serious problems ahead. Irish tax rates are still well above the EC average and painful financial adjustments will have to be made if they are to be harmonised with the rest of the Community. Many Irish industries have been co-settled by large amounts of state aid. Industries that are profitable are generally small in comparison to those in the rest of Europe and vulnerable to takeover.

The pessimists forecast that as Ireland approaches 1992 there could be more job losses with uncompetitive concerns forced to shut down or transfer operations closer to the main markets. Mr Haughey will not discuss economic specifics but says an amalgamation process has already begun, with Irish companies enlarging to compete in Europe.

At the same time Irish firms are evolving small niche type operations for high quality products. "Our periphery within the EC is one of the major obstacles we have to overcome... we'll have to develop fast, cheap, efficient sea transport. We have a very real vested interest in the liberalisation of air transport, both passenger and freight. These will be something we will be giving priority to during our presidency."

Attempts to penetrate beneath Mr Haughey's Eurokin get nowhere. How would Mr Haughey like to be remembered when the time comes to finally hang up the political boots? "I'm not writing my memoirs, we're dealing with Europe. Soul searching is not part of my make-up."

BOWATER INCORPORATED

1989 - SECOND BEST YEAR EVER

	Year ended 31 December 89	Year ended 31 December 88	Percentage Change
SALES	\$1,450.0m	\$1,410.4m	+2.8%
INCOME BEFORE TAX	\$261.0m	\$301.6m	-13.5%
NET INCOME	\$144.6m	\$164.3m	-12.0%
EARNINGS PER SHARE*	\$3.86	\$4.37	-11.7%

* Net income used in the calculation of earnings per share has been reduced by the dividend requirement of the LIBOR preferred stock.

- » 1989 sales established a record for the sixth consecutive year.
- » Newsprint shipments also set a record. Increased newsprint price discounting and start-up costs for two pulp mills produced pre-tax, net and per share earnings below their 1988 records but still at their second best level ever.
- » Operating income and sales of market pulp and communication papers both set new highs.

"Looking forward to the 1990s," A.P. Gammie, Chairman and Chief Executive, said, "we expect the current overcapacity in newsprint to be with us for two or more years but it is likely to be less severe than many forecasters predict. Demand for coated paper is forecast to remain at a healthy level... there is hope that much of the surplus capacity coming into Europe will be directed to the East rather than to North America. Market pulp demand is softening but we will expect to report excellent profits. The company's leading position and efficient operations will keep it competitive in communication papers."

BOWATER

THE AMERICAN PAPER PEOPLE WITH A SOLID BASE FOR GROWTH

Bowater Incorporated of Darien, Connecticut is a major USA producer of newsprint, coated publication paper, bleached kraft market pulp and a converter of communication papers for business.